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EXTRAORDINARY SUMMIT OF CEMAC HEADS OF STATE

VIA VIDEO CONFERENCE

THEME :
"EVALUATION OF THE MACROECONOMIC SITUATION IN THE
CEMAC ZONE IN THE CONTEXT OF THE COVID-19 PANDEMIC
AND ANALYSIS OF RECOVERY MEASURES".

Yaounde, 18 August 2021

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Sheet 1

ISSUES OF THE EXTRAORDINARY SUMMIT OF CEMAC HEADS OF STATE

The extraordinary summit of the Heads of State of the Central African Economic and Monetary Community (CEMAC) will be held via video conference on Wednesday 18 August 2021 (in the afternoon). The proceedings will be chaired by the President of the Republic, His Excellency Paul BIYA, current Chairman of the CEMAC Heads of State Conference.

The theme of this summit is: **“Evaluation of the macroeconomic situation of the CEMAC zone in the context of the COVID-19 pandemic and analysis of recovery measures”**.

In addition to the six CEMAC Heads of State and the President of the CEMAC Commission, this extraordinary summit will be attended by the Managing Director of the International Monetary Fund (IMF), Ms Kristalina Gueorguieva, the President of the World Bank Group, Mr David Malpass, the President of the African Development Bank Group (AfDB), Mr Akinwumi Adesina, and the representative of the French Government.

Issues at stake

The various security, health, economic and socio-political crises facing CEMAC member countries have undeniable repercussions on the economies of the sub-region. The extraordinary summit could therefore have the following objectives:

- take stock of the situation since the outbreak of the COVID-19 pandemic in 2019 and the resurgence of security crises;
- assess the various measures implemented as part of the response to the pandemic and to respond to the economic, monetary and financial consequences linked to both COVID-19 and the economic crisis of 2016;
- agree on possible new measures to be taken, taking into account the current context characterised by the following fronts: security, health, economic, monetary, financial and social.



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Summit expectations

At the political level, CEMAC is called upon to mobilise at the highest level and to demonstrate its commitment to solidarity in dealing with crises.

At the security level, it is a question of reaffirming the commitment of the CEMAC Heads of State to peace and security and condemning the barbaric and criminal acts perpetrated by terrorist groups in the sub-region.

At the health and social levels, to call for mobilisation in favour of vaccination in order to achieve the level of collective immunity, by advocating for the financing of access to the vaccine and strengthening the social protection of vulnerable people.

On the economic and financial level, the aim is to:

- renew the commitment to the Programme of Economic and Financial Reforms within CEMAC (PREF-CEMAC), and the entry of CEMAC countries into second generation programmes with the IMF;
- decide on the partial allocation of resources from the Special Drawing Rights (SDRs) to the IMF with a view to reducing domestic arrears and strengthening the capital of the banking system;
- mitigate banks' exposure to governments;
- support the call of the Paris conference of 18 May 2021, on the revival of African economies, for a global allocation of 100 billion dollars in SDRs for Africa;
- express CEMAC's solidarity with the Abidjan declaration on the 2020 replenishment of the International Development Association (IDA 20). Recall that IDA is a World Bank agency whose resources come from its richest member states;
- solicit extensive support from the international community for the recovery and reconstruction of the CEMAC economies.



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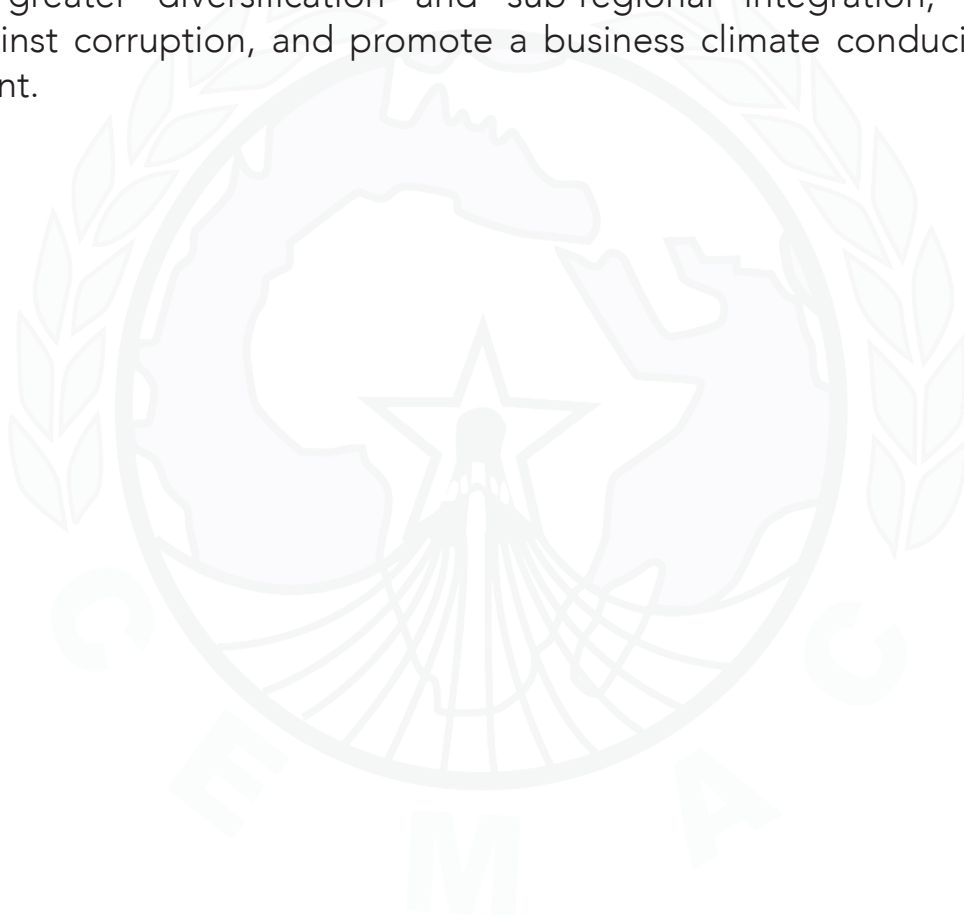
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At the monetary level, the aim is to consolidate the situation of foreign exchange reserves, ensure a gradual and prudent return to orthodox monetary and prudential policies, pursue reflections on international monetary cooperation towards a more flexible framework, and reiterate the commitment of the CEMAC States to conclude second generation programmes with the IMF.

On the budgetary front, continue consolidation, ensure transparency and good governance in the management of public finances, and ensure debt sustainability by favouring concessional financial resources.

In terms of reforms, subscribe to a structural transformation of the economy towards greater diversification and sub-regional integration, intensify the fight against corruption, and promote a business climate conducive to private investment.





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Sheet 2

ECONOMIC, FINANCIAL AND MONETARY SITUATION OF CEMAC

Presentation of the CEMAC Economic and Financial Reform Programme (PREF-CEMAC)

To address the difficult economic and financial situation caused by the rapid collapse of global commodity prices, including oil, from July 2014, the CEMAC Heads of State who met in Malabo on 30 July 2016 and then in Yaounde on 23 December 2016, agreed to launch a CEMAC Economic and Financial Reform Programme (PREF-CEMAC) to restore macroeconomic balances and preserve the stability of the common currency, the CFAF.

PREF-CEMAC is placed under the distinguished chairmanship of the Congolese Head of State, Denis Sassou Nguesso.

The programme comprises the following bodies:

- the Steering Committee (COPIL) which includes ministers (two ministers per Member State) and heads of CEMAC institutions. COPIL has a technical secretariat;
- the Monitoring Unit composed of CEMAC experts. Cameroon is represented in this entity by the Secretaries-General of the Ministry of Finance and the Ministry of Economy, Planning and Regional Development.



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Resolutions of the Extraordinary Summit held in Yaounde on 23 December 2016

To deal with growing pressure on CEMAC economies which led to huge fiscal deficits, a sharp fall in international reserves and the risk of devaluation of the CFAF, CEMAC Heads of State adopted 21 resolutions aimed, among other things, to reduce budget and external deficits, revive economic activity and quickly rebuild their foreign exchange reserves.

PREF-CEMAC was tasked with implementing these measures. CEMAC Member States also embarked on bilateral negotiations and short-term economic programmes with the IMF to better coordinate adjustment measures and ensure the return to strong and sustainable growth.

PREF-CEMAC Implementation Status

PREF-CEMAC is anchored on five pillars, namely Fiscal policy; Monetary policy and the financial system; Structural reforms; Regional integration; and International cooperation.

Fiscal policy

- Strengthening non-oil revenue mobilization: the outcomes achieved so far are encouraging, but they are seriously affected by slow economic growth due partly to the security situation, as well as the continuous heavy dependence of the region's economies on oil.
- Improving the quality of public spending: to ensure sustained fiscal consolidation, CEMAC Member States adopted targeted investment spending policies, while preserving priority social spending. Overall, the budgetary adjustment adopted by the Heads of State in 2016 mainly focused on spending, while inclusive and job-creating economic recovery targets were not met.

Since 2017, domestic arrears have also increased significantly due to low domestic revenue mobilization. This situation has been marked by the failure by CEMAC member countries to comply with the "non-accumulation of arrears" criterion.

Overall, Members States' fiscal deficits decreased significantly. Cameroon's budgetary balance, for example, reduced from -6.7% of GDP in 2016 to about



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-3.7% in 2019. Given the size of its economy, Cameroon plays a key role in efforts to implement the response plan adopted by Heads of State in Yaounde in 2016.

The aim is to stabilize public finance by maintaining the fiscal deficit below 3% of GDP, while striving to achieve strong, sustainable and inclusive economic recovery.

Monetary policy and financial system

- Replenishment of reserves: the combined efforts of BEAC and Member States have helped to replenish international reserves which currently represent 3.3 months of the zone's imports. In addition, foreign exchange regulations have been amended and their strict application is expected to further increase Member States' stock of reserves through the steady repatriation of export earnings.
- The replenishment of foreign exchange reserves remains one of the main thrusts of the post-2016 crisis emergence plan and that linked to the COVID 19 pandemic.
- Revitalizing financial markets: the first phase aimed at integrating the Community's financial markets has been completed. All the four components, namely the Stock Exchange in Douala, the Regulator in Libreville, the Central Repository and the Settlement Bank at BEAC, are functional. The second phase should help to strengthen the financial market by optimizing its operation to better serve the sub-regional economy.
- The future objective is to ensure greater compliance with current foreign exchange regulations, particularly concerning the repatriation of export earnings, deepen financial integration, and better monitor risk in the banking sector.



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Structural reforms

- **Economic diversification:** progress has been made regarding the implementation of structural reforms. Member countries have also intensified efforts to restore the fiscal and monetary indicators which were badly damaged by the crisis. To this end, member countries, excluding Cameroon, continue to depend heavily on oil.

To emerge from this dependence, one of the ongoing projects seeks to implement the timber sector industrialization strategy in the Congo Basin recommended by the Heads of State of the sub-region. The search for funding for the maturation of the first projects is ongoing. The African Development Bank and other development partners could support the strategy. There is a need to carry out genuine structural transformation of economies.

- **Improvement of the business climate:** the sub-region should pursue efforts to improve the business climate. In Cameroon, efforts initiated a few years ago to improve the business climate have been pursued. However, the perception of the business environment in the region remains mixed. The poor performance of CEMAC member countries in the World Bank's Doing Business rankings may be attributable to the poor security context and delays in implementing some reforms, especially judicial sector reforms.
- **Fight against corruption:** in Cameroon, the legal and institutional arsenal has been in place for a number of years now and is functional. Developments in the other member countries is timid, hence, low corruption perceptions indices.

One of the priorities for the next three years is to accelerate and strengthen economic diversification through structural transformation which is essential for a comprehensive industrialization process.



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Sub-regional integration

Regional integration is being pursued. However, the free movement of persons is still hampered by residual constraints. The freedom of establishment is not operational and the Regional Economic Programme lacks financing.

However, PREF-CEMAC recently identified 12 integrating projects whose financing was the subject of a donor round table held on 17 November 2020 in Paris, France, at the end of which various development partners promised to mobilize a total of EUR 3.8 billion for their implementation. To ensure effective resource mobilization and monitor project implementation, a tripartite committee comprising the CEMAC Commission, BDEAC and PREF-CEMAC was set up.

More stringent measures should be adopted to strengthen integration so as to reinforce intra-regional trade which represents less than 3% of total trade in the sub-region.



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International cooperation

Since the first programmes will soon be completed, CEMAC Member States and the IMF have started negotiations for a new generation of programmes.

Cameroon has successfully concluded a new economic and financial programme with the IMF covering the 2021-2024 period. The main objectives are to achieve post-COVID-19 economic recovery, a strong, sustained and inclusive growth backed by adequate financing and a fiscal policy that is compatible with the efforts made to curb the spread of COVID-19.

On 29 July 2021, the IMF Executive Board approved a three-year agreement backed by the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) for a total of SDR 483 million, or about CFAF 375 billion for the period, equivalent to 175% of Cameroon's quota.

furthermore, to support the country's efforts in streamlining its public finance, the IMF Executive Board also approved the disbursement of an initial tranche of 45% of the country's quota, representing about CFAF 96 billion.

Gabon has also concluded a new three-year economic and financial programme with the IMF worth CFAF 219 billion.

In view of the socio-economic, security and health situation in the CEMAC countries, the negotiation of new programmes with the IMF should take into account the above-mentioned issues. Economic recovery should reconcile fiscal consolidation, sustainable development and job creation.



THE POST-COVID-19 COMMUNITY RECOVERY PLAN

The COVID-19 pandemic led to a global recession in 2020. After a quarter of a century of growth, sub-Saharan Africa has experienced a sharp deterioration in its macroeconomic and social indicators. The drastic decline in economic activity has put severe pressure on government budgets. This has led to post-pandemic stimulus measures.

Although countries have not yet overcome the pandemic, most of them have undertaken extensive economic and financial reform plans to revive their economies in a sustainable manner, while strengthening their resilience to better cope with similar crises in the future.

It is in this context that the CEMAC member countries, meeting in Brazzaville in March 2020 as part of the third extraordinary session of the steering committee of the Economic and Financial Reforms Programme (PREF-CEMAC), adopted a Community Recovery Plan for post-Covid economies, covering the period 2021-2025.

Main axes of the Community Recovery Plan post-COVID-19

- The measures included in the PREF-CEMAC, whose implementation modalities will be reviewed and their implementation accelerated;
- The exceptional response measures taking into account the unprecedented and exceptional emergency situation created by the pandemic to protect human lives and preserve well-being;
- Other strong measures to give new impetus to the economic and social development of CEMAC countries.



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Cost of the Recovery Plan

The preliminary estimate of the cost of the measures contained in the Community Recovery Plan amounts to CFAF 7,284.9 billion, including CFAF 2,563.4 billion for the financing of 12 integrative projects.

These estimates do not include the cost of major new initiatives relating to the community industrialisation and value chain development project, the settlement of domestic debt and the creation of a large Central African University.

It should be noted that the Development Bank of Central African States (BDEAC) has granted budgetary support totalling CFAF 90 billion to all CEMAC countries to support their efforts to respond to the pandemic. The related agreement was signed between Cameroon and BDEAC, for an amount of CFAF 15 billion FCFA in January 2021.

Perspectives

In addition to funding, technical and financial assistance will be sought from the following institutions, according to their respective areas of competence: the World Bank, IMF, WTO, WHO, UNIDO, AfDB, ECA and FAO.

On the basis of a holistic programme, the structural transformation of the sub-region's economies through industrialisation and diversification will be pursued. The post-COVID-19 revival will have to be accompanied by an acceleration of sub-regional integration and a profound improvement in the business climate in order to increase private investment.

An ambitious reform programme should support fiscal consolidation, monetary and financial stabilisation measures. Second generation economic and financial programmes with the IMF and the World Bank should focus on human capital.



MAJOR INTEGRATIVE PROJECTS IN THE CEMAC ZONE

The vision of the Heads of State is to make CEMAC “an integrated, emerging economic area where security, solidarity and good governance reign at the service of human development by 2025”. To achieve this, the Heads of State adopted the Regional Economic Programme (REP) in 2009, which aims to bring about a profound transformation of the economies in order to increase their added value and thus contribute to the reduction of unemployment and poverty.

This programme comprises 84 projects and is based on three essential pillars, namely: energy; agriculture and forestry; and mining and metallurgy.

The programme has been insufficiently implemented, and the objectives set have not been achieved.

Therefore, the Conference of Heads of State decided, within the framework of phase 2 (EPR 2017-2021), to focus on a limited and realistic portfolio of flagship projects, likely to accelerate the physical and commercial integration of CEMAC over a period of five years. On this basis, 12 priority integrative projects have been identified for implementation over the period 2021-2025.

The 12 priority integrative projects of CEMAC

1. Construction of a bridge over the Ntem River (including road connections) and facilitation of transport and road safety on the Kribi-Campo-Bata transnational road linking Cameroon and Equatorial Guinea;
2. Construction of the Lolabe-Campo expressway (39 km) between Cameroon and Equatorial Guinea;
3. Construction of the Ndende-Doussala road (144 km) between Gabon and Congo;
4. Construction of the untarred parts of the Ndende-Dolisie road on the Libreville-Brazzaville corridor;
5. Construction of the Kogo-Akurenam road (south-eastern Equatorial Guinea-Gabon);
6. Construction of the Brazzaville-Ouessou-Bangui-N'djamena corridor (Congo/CAR/Chad);
7. Chollet hydroelectric scheme and power lines (Cameroon/Congo/Gabon/CAR);
8. Interconnection of electricity networks (Cameroon/Chad)



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9. Interconnection of Cameroon with other CEMAC countries by fibre optics;
10. Construction of the Beloko dry port (Douala-Bangui corridor);
11. Construction of the dry port of Dolisie (Gabon-Congo corridor);
12. Construction of the Cameroon-Congo Inter-State University in Sangmelima.

State of Affairs

In accordance with the decisions and recommendations of the 12th ordinary session of the COPIL /PREF-CEMAC, the second meeting of the Technical Committee for the follow-up of resource mobilisation and implementation of integrative projects was held from 15 to 19 February 2021 in Douala. This meeting was attended by the six Member States, sub-regional institutions, namely the CEMAC Commission, BEAC, BDEAC and PREF-CEMAC, as well as experts from the World Bank and AfDB.

To date, the technical and financial partners (BDEAC, ADB, AFREXIMBANK) have, for the most part, confirmed their commitments made during the November 2020 round table in Paris, for the financing of the 11 selected integrative projects. The maturation of these projects is currently being finalised.

Cost

The total cost of these projects is estimated at 4,074.64 million euros. 709.92 million of this amount, i.e. a total of 17.42% of the total cost, had been mobilised before the Paris Round Table. The amount needed was 3,364.72 million, or 82.58% of the total amount.

The financing of eight of the 11 projects presented has been fully completed, i.e. 3,800 million euros (approximately 2,490 billion CFA francs).

It should be emphasised that in order to successfully implement integrative projects, CEMAC Member States are invited to send their formal requests for financing to technical and financial partners, so that the process of examining the files can be initiated to make the financing available. States are also invited to pay up their share of the increased capital of BDEAC, in order to enable this sub-regional banking institution to play its full role in the financing of community projects.