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Statement by Mr. He and Mr. Yung on CEMAC
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The global recession, with falling demand on commodities, has made a considerable impact on CEMAC, most notably in reversing the region's favorable current account surplus in 2008 into a deficit in 2009. Despite the apparent need for expansionary policy measures, the authorities have limited capacity in increasing public expenditure to help cushion the negative shocks of falling export earnings. While monetary policy has been appropriately loosened, its impact was rather subdued due to constraints in the existing monetary framework. Assuming a modest global recovery under way, we can be cautiously optimistic about the near-team outlook of CEMAC. However, the region's medium-term outlook largely depends on the outcome of its macroeconomic management, particularly in managing the fiscal path and strengthening the financial sector. Discussions with the authorities appropriately focused on these important aspects, highlighting on some specific structural and institutional issues that need to be addressed urgently. We share the thrust of staff's assessment in the well-presented report, and would like to highlight a few issues for emphasis.

Fiscal sustainability

We are pleased to note the authorities' attention to fiscal sustainability with the addition of supplementary surveillance/convergence criteria. Staff suggested the CEMAC Commission refine the criterion on non-oil fiscal balances, setting country-specific targets in line with Text Table 2. It is noted from this table that, for a majority of CEMAC countries, the actual/projected non-oil primary deficits (NOPD) for 2007–2009 as a percent of non-oil GDP exceeded the computed long-run sustainable norm by wide margins. It is reasonable to expect that such a divergence from the long-run norm could persist for an extended period of time. Hence, we understand the authorities' concern on overly rigid adherence to NOPD targets.

Monetary and financial sector stability

We encourage the authorities to implement reforms in improving the effectiveness and transparency of monetary policy. We are delighted to note that staff has been proactive in offering assistance and support to help ensure a smooth transition to a new regime.

We emphasize the importance of prudential regulations in financial sector stability, echoing staff's recommendations for treating the acute shortage in human resources for banking supervision as a priority. We regret that COBAC has only eleven examiners to oversee 41 banks and more than 700 nonbank/microfinance institutions, and new bank supervisors are not expected to be on the job until 2011. Perhaps staff can share with us further information on any interim solutions proposed to the authorities in an attempt to resolve this critical manpower issue.

Given the tight human resources for banking supervision, we share staff's concern on whether adequate preparatory measures for the introduction of deposit insurance have been taken. We believe that the authorities would benefit from seeking technical assistance from the Fund to explore further the necessary steps needed in planning a sound and effective deposit insurance scheme.

External stability

We note that the REER remains broadly in line with current fundamentals. We are also mindful of the limitations in the forward-looking evaluation of the real exchange rate. Overall, we consider that CEMAC's long-term external stability hinges on successful economic diversification and stronger non-oil growth.

We remain concerned over the dependence on oil in the CEMAC region. In this regard, prioritization of spending in favor of physical capacity-building for diversification and long-term growth could be essential. We encourage the authorities to accelerate the non-oil growth by speeding up structural reforms, fostering investment in the non-oil sector, and improving the business climate and governance. The authorities should also pursue a coordinated approach to removing obstacles to economic diversification.

With these remarks, we wish the authorities success with their macroeconomic management and regional integration efforts.