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GRAY/09/4048

November 12, 2009

**Statement by Ms. Vongpradhip and Mr. Kanithasen on CEMAC
(Preliminary)
Executive Board Meeting 09/113
November 13, 2009**

1. Beset by the global slowdown, the economies of the CEMAC region are facing various challenges to recovery—in addition to the governance problems as well as longer-term structural and capacity constraints. However, Mr. Rutayisire’s helpful buff statement reassures us that the authorities of member countries have taken steps into the right direction: coordinating countercyclical policies to address the downturn; addressing key governance problems; planning for diversification from oil and longer-term growth.

2. We note that the authorities and staff agree in general with the main thrust of the assessments. As we join in the views as well, we would only limit ourselves to the following issues for emphasis:

- On **fiscal policy**, we agree that a balance has to be struck between stimulus in the short-term and tightening in the medium-term and tend to side with the authorities that in the current environment, flexibility is needed. Yet given that there are significant fiscal imbalances in some cases—resulting in departures from the convergence criteria, staff suggested that the recent SDR allocations would be useful. *Can staff provide further analyses as to how far the allocations (which are pooled) could correct the imbalances, in particular for the countries concerned?*
- On the **CGER assessment**, we were puzzled by the stark differences in the results and *invite staff to provide further comments, in particular on the policy implications.*
- On **governance**, we share the concern regarding the incident at the BEAC which as affected both operations and, more importantly, credibility. Nevertheless, we are pleased to learn from Mr. Rutayisire’s statement that the authorities have taken the issue seriously and are working with the Fund to

tackle the problem.

- In a similar vein, the credibility of the BEAC is also questioned as it provided long-term development finance to the development bank BDEAC. *Can staff provide further clarification on the magnitude of this facility? What has been the BEAC's response to settle the issue?*
- On **financial sector reforms**, we share Messrs. He and Yung's concern on the lack of adequate supervisory capabilities of the BEAC. Given the operational and reputational risks involved—which have already materialized, *we wonder whether the Fund could play a more active role in providing assistance on capacity building for supervisors.*
- On the longer-run issues of **diversification**, we fully support the authorities' determination to reduce their dependence on oil, which would focus on private sector development. *How are these longer-term strategies are coordinated among the member countries?*

3. With these remarks, we wish the authorities of the CEMAC member countries success in their recovery efforts.