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GRAY/09/4049

November 12, 2009

Statement by Mr. Alazzaz on CEMAC
(Preliminary)
Executive Board Meeting 09/113
November 13, 2009

I thank the staff for a well-written report on common policies of member countries of the Central African Economic and Monetary Community (CEMAC) and Mr. Rutayisire for his helpful buff statement. The economic performance in the CEMAC region has been severely affected in the wake of the global financial and economic crisis. Indeed, growth has slowed considerably, and fiscal and current account positions have deteriorated. However, it is encouraging that the authorities have taken appropriate policy measures to cope with external shocks.

Looking ahead, while the near-term outlook seems to have improved, the region faces considerable challenges to raise the growth rate to the levels necessary to address the widespread poverty. To this end, continued efforts to strengthen macroeconomic management and address structural bottlenecks both at the national and regional levels, including enhancing the competitiveness of non-oil sector and deepening regional integration, remain essential.

On monetary policy, the Bank of Central African States (BEAC) rightly increased interest rates and reserve requirements in early 2008 in the context of rising inflationary pressures and then reversed this stance in late 2008 in the wake of the crisis. I also agree that the current accommodative policy stance is appropriate in view of the weak demand, low inflation, and strong reserve coverage. Here, it is reassuring that a regional government bond market is expected to become operational in early 2010, which should facilitate the use of government securities for liquidity management. Efforts to improve foreign reserve management and strengthen monetary and fiscal policy coordination should also continue.

Turning to the financial sector, it is encouraging that the sector has weathered well the global crisis. I also welcome the progress in strengthening banking sector supervision, including the continued improvement in compliance with prudential norms. Moreover, the actions taken to address solvency and liquidity problems in a systemically important financial group are reassuring. Notwithstanding these welcome steps, the staff notes that effective supervision is hampered by acute shortage of bank inspectors and supervisors at the Central African Banking Commission (COBAC). It is therefore essential to address these shortages at the earliest.

On policies for sustained growth and diversification, priority should be given to upgrade infrastructure that will also strengthen regional integration. In addition, enhancing the business climate is crucial to improve the competitiveness of non-oil sector and diversify the CEMAC economies. Moreover, removing obstacles to internal and external trade will help enhance growth prospects. Here, the intention to lower the CEMAC Common External Tariff is a welcome development and I look forward to progress in this regard.

Finally, it is unfortunate that BEAC has suffered significant losses due to fraud in the operations of its Paris office. In this regard, I note the measures already taken and welcome the authorities’ determination to effectively resolve the safeguard concerns in cooperation with the Fund. To this end, I look forward to the staff’s update by year-end.

With these remarks, I wish the authorities success.