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November 12, 2009

**Joint Statement by Mr. Bakker and Mr. Bergo on CEMAC  
(Preliminary)  
Executive Board Meeting 09/113  
November 13, 2009**

We thank staff for their report and Mr. Rutaiyisire for his insightful Buff statement.

The CEMAC region economy has been hit by the global economic slowdown, mainly because of a slump in commodity prices. Economic growth is projected to fall to 0.7 percent in 2009, meanwhile the current account is anticipated to be in record deficit reversing from a record profit. We commend the authorities of the region countries for their response to stimulate the economy as external demand cooled down. We broadly agree with the staff's appraisal, and would only like to make a few additional comments on policy issues.

We agree that the short-term counter cyclical fiscal response to cushion the external shock was broadly appropriate. However, we remain concerned with the medium-term fiscal outlook, which continues to be unsustainable on current policies. We urge the authorities to start immediate tightening of the fiscal stance as conditions warrant next year in order to converge to a sustainable level of deficit in the mid-term. Particularly, a large divergence of non-oil primary deficit from its sustainable levels in Equatorial Guinea is a matter of concern. Sound public finances are essential for a sound monetary union.

We note that the central bank has loosened the monetary policy during the crisis to help the banking system to cope with liquidity issues, and commend the authorities' intentions to develop a public debt market, which will help BEAC to conduct monetary policy more efficiently in the framework of the monetary union.

We have concerns on the region's financial stability. In particular, the supervisory body, the COBAC is severely understaffed. We believe strengthening institutional capacity of the supervisor, including through adequate staffing, is critical for the development of the financial sector. We also want to stress that current problems with four systemic banks in the region should be resolved in order to ensure financial stability.

While we welcome the authorities' initial measures regarding safeguard issues arising from recent fraudulent operations conducted by BEAC's Paris office, we still remain concerned with the governance issues at BEAC, including in the area of reserves management. We would like to stress the importance of having a prudent governance structure in place.

With this we wish the authorities of CEMAC region countries success in their endeavors.