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GRAY/09/4054

November 12, 2009

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

We thank the staff for their concise report and Mr. Rutayisire for his helpful statement.

***Issues of Common Policies***

From a theoretical viewpoint, to have common policies has its pros and cons. Although common policies may facilitate infrastructure-building with a scale merit, the following aspects may warrant close monitoring:

- (1) Since the difference in productivities among member countries cannot be alleviated through exchange rates, a country with lower productivity growth may suffer from prolonged economic stagnation. Thus, in order to examine the effectiveness of common policies, it is always important to examine how much productivity differences exist among member countries.
- (2) If there were differences regarding fiscal policy conducts and/or financial regulation, such differences may lead to undue shifts of policy burdens among member countries. (For example, if one member's fiscal policy were to be extremely loose, other members will have to excessively tighten their macroeconomic policies to absorb additional inflationary pressures.)

Although we appreciate the staff's analyses on the CEMAC region as a whole, *we would welcome the staff's further comments on the common-policy-related issues inside the CEMAC region*, since these issues may provide insightful implications for the Fund's surveillance activities. (For example, how do the member countries share the fiscal discipline over the medium term, especially when fiscal policy responses to the external shocks are needed in a short term?)

***Fraud at BEAC's Paris Office***

It is important for any public entities to turn scandals into good opportunities to re-establish good governance and to restore the public confidence to them. For such purposes, the following actions are critical:

(1) Accountability

It is necessary to take appropriate civil and criminal actions against the persons responsible for fraud, so as to satisfy the accountability to the public.

(2) Governance

It is also needed to make necessary governance reforms, so as to prevent the re-occurrence of similar events.

(3) Transparency

It is necessary to disclose all the necessary information to the public.

In these regards, although we regret that the Fund was only informed of the facts at the timing of BEAC's public announcement, we welcome the recent authorities' actions, and consider it reasonable that, while allowing reviews and new Fund-supported programs for CEMAC countries to be considered by the Executive Board, the staff reconsider this position after end-December 2009, if necessary.

### ***BEAC's Financing Activities***

We echo the staff's concerns on BEAC's lines of credit to the Central African Development Bank.

### ***SDR Allocation***

We welcome the policy change in CEMAC to allow national authorities to use the recent SDR allocation, which is timely in order to help mitigate individual countries' immediate liquidity needs stemming from the global recession.

### ***Exchange Rate Assessment***

Regarding exchange rate assessment, we sympathized with the concerned raised by Mr. Rutayisire on his statement, especially on the methodology used by the staff in their forward-looking analysis of exchange rates.

It is a basic condition of any science that anyone can re-produce the same result by using the disclosed data. In this regard, especially in forward-looking analyses on exchange rates, all the key assumptions should be disclosed. Undisclosed key assumptions unduly cloud the transparency and objectivity of the overall analysis.

For example, in the CEMAC's case, it is necessary to have information on the staff's assumption on potential productivity gains from public spending and incorporated in their analysis, in order for us to evaluate whether the staff's assessment is correct or not. In addition, we would like to know how the inflation dynamics are incorporated in the staff's forward-looking analysis. (For example, lower fiscal deficit may lead to lower inflation, which may accelerate the depreciation on REER basis.)

With these remarks, we wish the authorities success in the future.