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November 12, 2009

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

We thank the staff for their clear and helpful set of papers and Mr. Rutayisire for his informative Buff statement. At the outset, we agree with the staff's recommendations and we support the consultation on CEMAC's common policies in the context of Article IV obligations of members countries.

The global economic crisis has deeply impacted the CEMAC's economies through a dramatic decline in most exports. We applaud the efforts to strengthen the banking sector supervision, and to improve monetary policy instruments as well as foreign reserve management. However, we would echo the staff's concerns regarding: 1) the medium-term fiscal sustainability; 2) the business environment; 3) the governance problems at the BEAC; and, 4) the effective surveillance on the banking sector.

1.- We support the decision to use fiscal space to cushion the impact of the global crisis without losing sight of social needs. It is important to find the right balance between the short-term need for stimulus and the medium-term need for fiscal tightening to prevent negative developments. The recent SDR allocation could increase the room for maneuver. We recommend that BEAC and all CEMAC's ministries of finance coordinate their efforts to prepare a sound budget accompanied by prudent macroeconomic policies.

2.- Additional efforts are needed to enhance the economic infrastructure and to improve the business climate to facilitate internal and external trade. In this vein, we share the staff's opinion regarding the intention to lower CEMAC Common External Tariff. The private sector is key to the development of the CEMAC area, hence we must emphasize the creation of a suitable environment of legal certainty and simplicity of procedures to improve the investment climate.

3.- We note the importance of a fast solution to the problem of governance of BEAC, especially to safeguard Fund resources. In this regard, the authorities should take appropriate measures for that purpose. Could staff elaborate on the details of the proposals being considered?

4.- We welcome the strengthening of the regulatory framework concerning the minimum capital requirement for banks; however, we are concerned about liquidity problems in a systematically important financial group as staff pointed out. We would like staff to explain the delay in the appointment of a provisional administrator to inspect the 40 billion of possibly fraudulent loans made in early 2008.

We urge COBAC to increase the number of examiners to oversee banks, and more than 700 micro-finance institutions, to improve surveillance and promote stability in the financial sector.

We encourage CEMAC authorities to continue working closely with Fund staff. We wish them the best results and success.