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February 9, 2022

**Statement by Mr. Bhalla and Mr. Natarajan on West African Economic and Monetary Union
(Preliminary)
Executive Board Meeting
February 11, 2022**

1. We thank the staff for the detailed report and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Boukpepsi for the comprehensive Buff. The economy in the region is witnessing a broad-based recovery driven by a boost in domestic demand and exports. The strong regional institutional framework along with the national policies has helped to build a strong macroeconomic framework. Proactive policy adjustments by the Western African Economic and Monetary Union (WAEMU) and appropriate monetary measures by BCEAO consistent with the current situation are essential for a sustained recovery. WAEMU has demonstrated a strong track record of action and resilience through the pandemic crisis and has the capacity to facilitate durable growth.

2. Economic growth is expected to accelerate to over 6 percent in 2022 and over the medium-term horizon. Boosting vaccination continues to remain the key priority and is necessary to reduce risks to the current recovery efforts. Inflation is expected to be slightly above 3 percent due to the rise in the price of food items and energy prices and is expected to return to the target band in 2022. Though the current account deficit has deteriorated, it is expected to improve due to the completion of hydrocarbon projects. Investment in regional projects to develop transportation and energy networks and digital infrastructure is expected to catalyze medium-term growth prospects.

3. We welcome the authorities' decision to converge towards the regional fiscal deficit of 3 percent by 2024. We recognize the challenges involved in the fiscal adjustment path given that there are countries with higher initial fiscal deficits and the uncertainties on both the revenue and expenditure sides due to the pandemic. The acknowledgment of the importance of re-establishing the WAEMU Convergence Pact provides a platform for discussion among policymakers. We concur that it should encompass institutional reforms to strengthen public finance management.

4. BCEAO should be agile in taking monetary policy measures in responding to the developments in the external position and inflation forecast which is currently exceeding the ceiling of the target band. The banking sector has remained resilient during the crisis. We encourage close monitoring of the vulnerabilities arising due to the unwinding of BCEAO refinancing and regulatory forbearance scheme for banks. The current diagnostic missions of microfinance institutions (MFI) can be useful in assessing the fragilities in the sector. We commend the authorities for operationalizing the bank resolution framework and the substantial progress made in approving preventive restructuring plans. *Can the staff comment on the experience of the resolution process, ways to expedite the process and the technical, legislative, and regulatory reform measures required to make the framework fully effective.*

5. We welcome the selected issues paper on topics of importance to the region including, "Developing the WAEMU's Sovereign Security Market". We take note of the progress made in the development of the sovereign security market measured both in terms of percent of GDP and as a share of total government debt raised. We welcome the proposed reforms roadmap and measures to increase the depth and liquidity of the secondary sovereign market. Regional trade integration can be deepened by addressing non-tariff barriers including lack of common documentation and harmonization of procedures. Improving the business climate can foster cross-border investment and growth.

6. Finally, we wish the authorities the best in their efforts.