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February 9, 2022

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

We take positive note of the strong resilience and economic performance of the WAEMU region amid the pandemic. Good macroeconomic policies supported by robust regional institutional arrangements provided an adequate response to the shock. Despite the economic performance and the fast recovery underway, risks are tilted to the downside and the recovery needs to be made more sustainable. We broadly concur with the staff assessment and offer the following comments.

**We welcome the authorities' commitment to reaching the regional fiscal deficit anchor of 3 percent of GDP by 2024.** We encourage them to formalize this commitment with the reestablishment of the WAEMU Convergence Pact that was suspended in 2020. In addition to fiscal targets, swift implementation of broad-based PFM reforms is key to ensure sustainability of the medium-term fiscal framework. Like staff, we find worrisome the magnitude and persistency of the stock-flow adjustments. We take note of the uneven implementation of the regional PFM directives and urge the national authorities to mobilize their efforts in this direction. We also agree with the staff recommendation on revenue-enhancing measures and more targeted fiscal support to ensure a more inclusive economic recovery.

**The accommodative monetary policy stance seems to be appropriate, but inflationary and external development need to be closely monitored.** We commend the BCEAO for the effective response to the crisis and the policy measures aimed at preventing financial stress and contagion in the banking sector. We agree with staff that the BCEAO should stand ready to tighten the monetary stance should inflation remain persistently above the upper bound of the target band or the external position weaken. We urge the national authorities to use the allocated SDRs wisely, and we call on the BCEAO to take account of the risks linked to an

increase in the SDR interest rate. We also agree with staff on the need to modernize and improve the policy and governance frameworks of the BCEAO. While we take positive note of the resilient banking sector, we encourage the authorities to closely monitor the potential vulnerabilities stemming from the excessive reliance on BCEAO refinancing by certain commercial banks. In this regard, the development of the regional financial market remains a priority.

**Accelerating structural reforms and addressing growth bottlenecks would help contain the long-term scarring effects of the pandemic.** Access to finance and physical infrastructure, governance and business climate issues, and the large size of the informal sector are common challenges for the economies of the region. We also encourage regional and national authorities to consider more proactive measures to foster regional trade and integration. Elimination of non-tariff barriers, harmonization of the customs procedures, and simplification of transit fees would contribute to enhance regional trade. Over the medium term, regional infrastructure projects would boost productivity and provide the potential for economies of scale.