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**Statement by Mr. Zhang and Mr. Liu on West African Economic and Monetary Union
(Preliminary)
Executive Board Meeting 23/9
February 1, 2023**

We thank staff for the comprehensive report as well as Mr. Sylla, Mr. Matungulu, and Mr. Tall for their helpful Buff statement. Despite successive shocks, the economy of WAEMU has exhibited resilience and managed to recover strongly from the downturn. However, the region is still facing significant downward risks, which requires prudent and careful policy making to maintain the economic footing. We broadly agree with staff's appraisals and will limit ourselves to the following comments for emphasis.

We share staff's view that appropriate fiscal adjustment and a credible medium-term fiscal framework are needed for the region to achieve fiscal sustainability and put debt on a downward trajectory. We note that fiscal consolidation has been delayed and the deadline for achieving a budget deficit target has been postponed by most members of the WAEMU. It is understandable that the suspension of fiscal convergence and relaxation of the fiscal ceiling were in large part due to the pressing need to meet consecutive external shocks, nevertheless, the authorities should strive to adhere to fiscal discipline as closely as possible. In this regard, we associate ourselves with staff's recommendation that the authorities need to set up credible enforcement mechanisms for fiscal consolidation as well as a well-designed escape clause. Expenditure efficiency should be further improved through better targeting and prioritizing. Revenue mobilization should also be strengthened by pushing forward tax system reforms. In particular, the development of public debt should be closely monitored and carefully managed, given the current high level of debt burden.

We support the BCEAO's tight monetary policy stance and agree the BCEAO should stand ready to conduct further tightening should conditions warrant. Although food and energy prices have abated to some extent recently, it is still too early to tell if inflation has peaked. Given the fixed exchange rate regime, the BCEAO should not only watch closely the

price dynamic within its members, but also need to carefully monitor the policy stance of the ECB and take actions correspondingly if necessary. Despite improvement in Capital Adequacy Ratio and NPL ratio, the BCEAO is recommended to keep a vigilant eye on the banking sector, considering the reliance of some banks on the BCEAO's refinancing and elevated sovereign exposure. We take positive note of the finding of the recently concluded FSAP that the WAEMU's regulatory and supervisory framework are in line with international best standards and welcome the authorities' plan to allocate more resources to further enhance the supervisory capacity.

Last but not the least, the authorities should push forward structural reforms in a balanced and well sequenced manner. The priorities identified by staff, namely energy, digital, infrastructure and food resilience, seem appropriate. Given the high vulnerabilities of this region to climate shocks, the authorities should consider incorporating green transition and climate adaption into their overall development strategy. Resources from both development partners and private sector should be tapped to meet climate needs, while public finance should focus on playing the catalytic role. More resources need to be invested to improve the quality of human resources to lay the ground for long-term development. Business environments should be continuously improved by strengthening the rule of law and streamlining administrative procedures to attract and facilitate foreign investments. Regional economic integration should also be assiduously pursued to further facilitate trade and labor mobility and promote productivity growth.

With these remarks, we wish the WAEMU success and prosperity in their course ahead.