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**Statement by Mr. Corvalan and Ms. Ramos Capaquira on West African Economic and Monetary Union  
(Preliminary)  
Executive Board Meeting  
February 1, 2023**

We thank staff for the complete report and the topics analyzed in the Selected Issues paper, and Messrs. Sylla, Matungulu, and Tall for their helpful Buff statement.

1. **The West African Economic and Monetary Union (WAEMU)'s economy remains resilient amid recent shocks on the back of past buffers and an effective policy response.** GDP recorded an important recovery in 2021. Despite a slight slowdown in growth expected in 2022 due to the spillovers of the war in Ukraine and other local shocks, we highlight the region's medium-term prospects, with growth of around 6 percent and improved external accounts, supported by broad-based activity recovery and the incursion in oil production in some member countries. While inflation has risen significantly in 2022, it is expected to return to levels within the Central Bank of West African States (BCEAO)'s target ranges in the medium term.

2. **The authorities' commitment to fiscal sustainability while preserving their development agenda is welcome.** We take positive note of WAEMU members' commitment to return to the regional fiscal targets, which delay to 2025 we believe is warranted given the adverse domestic and global shocks. The ongoing actions to reestablish the Convergence Pact are well noted, since it is instrumental to anchor fiscal policy in the medium term. A well-defined escape clause will be critical to allow rule flexibility in extraordinary circumstances while protecting credibility. Efforts are also needed to reduce extra-budgetary and below-the-line transactions (SFA), and we welcome

the authorities' ongoing work on this issue within PFM strengthening. *We would appreciate if staff could elaborate further on the Convergence Pact proposal progress and the expected timeline for its completion.*

3. **We agree that revenue mobilization should play a key role in creating fiscal space and financing essential expenditures.** Given the Union's relatively low tax-to-GDP ratio, there is room for improvement, especially in countries which ratios are well below the regional target. We welcome the authorities' ongoing actions to strengthen revenues and encourage them to continue working on it, while ensuring the protection and improvement of social and public investment spending and its efficiency.

4. **Data-dependent approach of monetary policy stance seems appropriate.** We take positive note that BCEAO is ready to use its available tools to preserve price stability. We agree with staff on the importance of considering a comprehensive set of indicators to guide the authorities' decision, especially on balancing the stance so as not adversely affect the recovery. In addition, divergence within WAEMU member countries regarding inflation pace and developments, with some recording low inflationary pressures or downward trend, should also be considered, since further tightening could impact these economies. We welcome the BCEAO's positive outcomes in the 2018 Safeguards Assessment, primarily in terms of governance framework, and that the institution has implemented all the recommendations.

5. **The financial system remains strong, but risks must continue to be addressed.** We commend the overall resilience of the financial system assessed in the Financial Sector Assessment Program (FSAP) completed in April 2022. The authorities' actions to closely monitor risks, improve the regulatory and supervisory framework, particularly for banks with weak indicators, and enhance the AMF/CFT framework are significant steps to further strengthen financial stability. We encourage the authorities to persist working on implementing the FSAP recommendations. Similarly, we see merit in the strong progress in financial inclusion over the last decade, and in the ongoing measures to enhance financial education and address microfinance sector limitations. We encourage the authorities' continued efforts in this regard, mainly in countries where financial inclusion is well-below their peers.

6. **WAEMU's regional development agenda remains a priority to achieve sustainable, resilient, and more equitable economies.** We encourage the authorities to continue strengthening their regional development strategy and their focus on the development of infrastructure, energy, and food, where they have potential. In this vein, we

welcome the adoption of the *Cadre d'Actions Prioritaires 2025*, as indicated in the Buff statement, which comprises the establishment of a macroeconomic stabilization fund. The latter will be critical, especially in countries with upcoming oil revenues. Furthermore, given the region's vulnerability to climate shocks, we encourage the authorities to remain working on this area. *We would appreciate if staff could provide further information on regional initiatives on the subject.* Finally, the WAEMU's support to address Fragile and Conflict-Affected States (FCS)-members' vulnerabilities remains essential, as it is the assistance from the international community.