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GRAY/08/1628

May 21, 2008

**Statement by Mr. Claveranne on WAEMU  
(Preliminary)  
Executive Board Meeting 08/45  
May 23, 2008**

We welcome this discussion on the WAEMU, and we thank the staff for this insightful set of reports, and broadly share their thrust. We would also like to thank Mr. Rutayisire for his comprehensive and informative Buff statement.

**1) Through its role in maintaining a stable macroeconomic environment in the sub-region, the WAEMU demonstrates the positive role that monetary cooperation and regional integration can play in Sub-Saharan Africa.** We are pleased to note that, in a challenging context, marked by the rapid rise in food and energy prices and the impact of the economic situation in several post-crisis countries (Côte d'Ivoire, Guinea-Bissau and Togo), macroeconomic performances in the WAEMU region have been broadly satisfactory. However, we agree with staff that containing rising inflation pressures, while dealing with the social and economic pressures from rising food and fuel prices, will be the key challenge for the authorities in 2008. In this regard, we firmly encourage a coordinated and targeted regional response to the social and economic impact of these price increases, and we believe the Fund has a critical role to play. *In that regard, we would be grateful if staff could take stock of the situation on food and oil crisis in the region.*

**2) Looking forward, we share the staff's analysis on the numerous challenges facing the WAEMU to foster medium-term growth prospects :** enhancing international and intraregional trade, which is far below its potential, is critical, as well as accelerating structural reforms aimed at strengthening the competitiveness of the WAEMU countries. In this regard, the Regional Regional Economic Program (REP), whose purpose is to accelerate regional growth by overcoming some of the key infrastructural and other bottlenecks, is of great importance for these countries and deserves the full support of the international community.

**3) We concur with staff that progress is needed to reinforce economic convergence.**

4) **Regarding the negotiations between the ECOWAS and the EU on an Economic Partnership Agreement (EPA), we consider that they offer a great opportunity for the WAEMU countries to improve economic welfare.** However, we would like to emphasize that any impact stemming from tariff reductions be carefully assessed and offsetting measures taken to ensure an efficient fiscal transition. We would also recall the importance for the EPA to cover both trade and development issues.

5) A key element of the development pattern of these economies is their competitiveness and **we agree with staff that “the exchange rate regime of the CFA Franc has served the WAEMU zone well”.** We are pleased to read that the Real Effective Exchange Rate (REER) is in line with fundamentals and consistent with external stability, despite the recent nominal appreciation. Beyond the exchange rate position, the competitiveness of the WAEMU countries mainly relies on structural reforms aimed at improving the business environment which remains a major obstacle to economic activity in the region. Regarding the Selected Issues on determinants of export performance and competitiveness, we would like to caution staff against the use of aggregated and perception-based indicators, such as doing business and governance indicators, which are highly sensitive and subject to significant technical uncertainties, as evidenced by regular discussions at the World Bank Board.

6) **Finally, we welcome the WAEMU’s participation in the regional FSAP which provides a very useful assessment of the challenges and weaknesses of the regional financial system.** We encourage the national authorities and regional institutions to fully take on board its recommendations, in order to guide their financial reform agenda. In this regard, we warmly welcome the ongoing institutional reform of the WAEMU and the Central Bank of West African States (BCEAO) which addresses a number of weaknesses in the supervisory framework, with a view to modify the power of the policymaking bodies of the WAEMU, reinforce the governance of the BCEAO and enhance the regional aspect of supervision. We believe that strengthening cooperation between the BOAD, the BCEAO and the WAEMU Commission would be desirable. We also believe that the IMF, through technical assistance, has a role to play to back up these reforms.