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

I thank the staff for a well-written set of papers on common policies of the West African Economic and Monetary Union (WAEMU) members and Mr. Rutayisire for his helpful buff statement. I welcome the improved economic performance in the WAEMU region last year. Indeed, growth increased and inflation declined. In this regard, the resumption of growth in Côte d'Ivoire, the region's largest economy, following the stabilization in the security situation is especially encouraging. However, the current growth rate in the region remains insufficient to significantly reduce poverty and attain the MDGs. It is therefore important to step up structural reforms to enhance the region's competitiveness and bolster medium-term growth prospects. In addition, addressing the recent rise in inflation is a key challenge.

To enhance growth performance, the emphasis in the staff report on removing structural obstacles, including infrastructure gaps, a poor business environment, an underdeveloped financial sector, and incomplete regional integration, is appropriate. In this regard, I welcome the pick up in the implementation of the Regional Economic Plan (REP), which should help ease infrastructure bottlenecks and promote regional integration. Moreover, while some countries have made good progress in improving the business environment, the low ranking for WAEMU countries on average in the World Bank's 2007 "Doing Business Indicators" underscores the need for additional efforts.

Turning to regional monetary policy, excess liquidity arising from increased public borrowing in the regional financial market is a concern. In this regard, I join the staff in welcoming the efforts of the Central Bank of West African States (BCEAO) to get governments to prepare and adhere to annual timetables for the issuance of treasury securities, which should help manage regional liquidity pressures. I am also encouraged by the BCEAO's efforts to enhance its monetary policy implementation capacity. On exchange rate, I note the staff's assessment that the exchange rate remains broadly in line with fundamentals. Indeed, the fixed exchange regime continues to provide a useful anchor for

regional policy and serves the WAEMU region well. Looking ahead, the emphasis by the staff on achieving better coordination of regional monetary policy and national fiscal policies is appropriate in order to reduce pressure on the real exchange rate.

On financial sector issues, I welcome the FSAP finding that financial integration has benefited from the establishment of a regional government securities market and the modernization of the payments system. That said, the continued weaknesses of the financial sector remain a concern. In particular, I note that banks remain highly vulnerable to shocks and that their compliance with prudential norms is uneven and low. Moreover, one member country continues to face system-wide crisis. I am therefore encouraged that the authorities are determined to strengthen regional financial stability. To this end, it is important to implement the regional FSAP recommendations.

Finally, I am encouraged by the recent decision to remove barriers to intra-WAEMU trade and join the staff in urging the authorities to move quickly to facilitate greater progress toward regional trade integration. I also welcome the ongoing efforts for enhanced integration with the wider Economic Community of West African States (ECOWAS) region by considering an extension of the WAEMU common external tariff for all of ECOWAS. On the proposed monetary integration at the ECOWAS level by end-2009, the staff rightly underscores the importance of meeting the necessary conditions for a successful and beneficial monetary union.

With these remarks, I wish the authorities success.