

SUR/17/28

April 3, 2017

**The Acting Chair's Summing Up
West African Economic and Monetary Union—Common Policies of Member Countries
Executive Board Meeting 17/24
March 31, 2017**

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the region's continued strong economic performance, with robust growth and low inflation. Directors noted, however, that risks to public debt sustainability and external stability have risen. They underscored that sustaining high growth would require well-coordinated and consistent national fiscal policies and regional monetary policy to contain vulnerabilities and safeguard macroeconomic stability. While the main responsibility in this regard falls on national and regional authorities, Directors noted that the Fund could play a key role through policy advice and capacity building. Structural reforms will also need to be accelerated to improve the business environment, boost competitiveness, and promote diversification.

Directors underscored that growth-friendly fiscal consolidation is key to reducing public debt and rebuilding foreign reserves buffers. They urged Member countries to adhere to their current budget deficit reduction plans. Directors emphasized that adjustment efforts should be carefully calibrated and should focus on reforms to enhance revenue mobilization and contain current expenditure while protecting priority capital and social spending. They encouraged the authorities to further improve public financial and debt management, enhance spending quality and efficiency, and develop alternative forms of financing to support infrastructure investment while being mindful of associated risks.

Directors supported the current monetary policy stance. They welcomed recent monetary policy decisions to tighten access to the refinancing window. They noted, however, that the lowering of reserve requirements aimed at enhancing liquidity would partly offset the December tightening. Directors called on the authorities to remain vigilant and stand ready to further tighten monetary policy if pressures on external reserves continue. They encouraged them to take steps to further improve liquidity management, energize the interbank market, deepen financial markets, and strengthen monetary policy transmission.

Directors commended the authorities for the ambitious set of regulatory reforms to modernize the financial sector. They highlighted the importance of adequately preparing for the effective implementation of the upgraded regulatory and prudential frameworks, making the financial safety net operational, and developing an effective regional bank resolution regime. They also encouraged the authorities to step up efforts to address the current pockets of vulnerability in the banking system by enforcing existing prudential regulations.

Directors welcomed the new regional action plan and strategy for financial inclusion. They called for its rapid implementation, emphasizing that financial deepening and inclusion are essential to sustain high and inclusive growth. They highlighted the importance of lowering the cost of financial services, strengthening the legal framework and judicial processes, enhancing the business environment, and boosting the development of mobile banking, while paying due consideration to financial stability and anti-money laundering issues.

Directors urged the authorities to intensify the pace of structural reforms to sustain the growth momentum. They called, in particular, for continued efforts to promote private investment, competitiveness, and diversification by improving the business environment, reducing barriers to regional trade including cumbersome administrative procedures, and enhancing regional infrastructure.

Directors encouraged the authorities to continue their efforts to improve the quality, coverage, and timeliness of regional data, in particular external sector statistics and financial soundness indicators.

The views expressed by Executive Directors today will form part of the Article IV consultations with individual member countries that take place until the next Board discussion of WAEMU common policies. The next Article IV consultation discussion with the WAEMU regional authorities will be held on the 12-month cycle in accordance with the Executive Board decision on the modalities for surveillance over WAEMU policies.