

SU/18/41

March 28, 2018

**The Acting Chair's Summing Up
West African Economic and Monetary Union—
Common Policies of Member Countries
Executive Board Meeting 18/25
March 26, 2018**

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the region's continued strong economic growth resilience and low inflation. Directors stressed that vulnerabilities had persisted in 2017 with increased fiscal and external account deficits, although risks to debt sustainability remain moderate for seven-member countries and low for one member, based on existing DSAs. Although international reserves had rebounded somewhat, this mainly reflects sizable Eurobond issuances. They took note that the exchange rate remains broadly in line with fundamentals. Directors underscored that the medium-term outlook remains positive but is subject to downside risks, and regional security issues remain a concern. Sustaining the growth momentum and preserving external stability require continued macroeconomic stability and accelerated structural reforms.

Directors underscored the need for determined, growth-friendly fiscal consolidation to meet the WAEMU convergence criterion of 3 percent of GDP by 2019. Adjustment efforts should focus on reforms to enhance revenue mobilization and contain current expenditure while protecting priority capital and social spending. Directors emphasized the need to raise the efficiency of public investment, capture fiscal risks, and strengthen debt coverage and management.

Directors supported maintaining the current monetary policy stance. They called on the BCEAO to remain vigilant and stand ready to further tighten monetary policy if pressures persist on the money market or foreign exchange reserves. Directors encouraged the authorities to take steps to further reduce the banking system's dependence on refinancing, improve liquidity management, energize the interbank market, deepen financial markets and strengthen monetary policy transmission.

Directors commended the authorities for the important steps undertaken to modernize the financial sector, including the launch of an upgraded prudential regime in line with Basle II/III. They highlighted the importance of operationalizing the financial safety net and using upgraded bank supervision and resolution tools to address vulnerabilities in the banking system.

Directors called for the implementation of the regional strategy to promote financial inclusion and deepening to sustain robust and inclusive growth. They highlighted the importance of lowering the cost of financial services, promoting financial literacy, enhancing consumer credit protection and closely supervising microfinance institutions to ensure prudential safeguards, while strengthening AML/CFT supervision.

Directors stressed that sustaining the growth momentum will require efforts to improve competitiveness and promote diversification. They urged the authorities to intensify the pace of structural reforms to improve the business environment and promote private investment.

Directors supported the authorities' efforts to strengthen the quality, timeliness, and public availability of economic statistics, notably to address weaknesses in the balance of payment data. They also underlined the need to improve consistency between national and regional data, including by accelerating the transition of WAEMU member-countries to the GFSM 2001 fiscal reporting.

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.