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**Statement by Mr. Massourakis, Ms. Quagliolini, and Ms. Mateus on West African
Economic and Monetary Union
(Preliminary)
Executive Board Meeting
February 8, 2021**

We thank staff for the well-written set of reports and Mr. Andrianarivelo and Mr. Alle for the interesting Buff statement. The COVID-19 pandemic brought to a halt the steady and robust growth rates of the last eight years in the WEAMU countries, amid already difficult security and political contexts. We broadly share staff's appraisal and offer the following specific comments:

- **We share the view that post-pandemic fiscal consolidation should strike the right balance between feasibility and stability.** We found the evidence, presented in Annex III, about the downsides of a looser fiscal consolidation path, compelling. In particular, the impact on debt service from additional spending appeared particularly high. For this reason, we agree that a consolidation path that allows returning to the fiscal ceiling by 2023 is a reasonable compromise. Fiscal consolidation paths, after the pandemic subsiding, should, as always, consider country-specific circumstances. Nonetheless, while we understand some leeway may be necessary for coping with increased security spending needs in some countries, we see little scope for countries less affected by direct security pressures to consolidate at an even faster pace. We agree with staff that improving transparency and PFM is crucial to ensure that the additional fiscal space allocated to security be effectively used to address such challenges.
- **We welcome the upcoming revision of the regional fiscal framework.** We consider that, given its simplicity, the clear fiscal deficit ceiling of 3 percent continues to be a proper anchor and appreciate the goal of better defining escape clauses, particularly to account for exceptional events. We agree with staff that there would be benefits in lowering the debt rule ceiling, but only after the recovery from the pandemic is complete while allowing for adequately paced adjustments.

- **We encourage the different national authorities to strengthen domestic revenue mobilization through optimization of tax policies**, namely by revising tax inefficiencies and by increasing excises. In addition, the authorities should safeguard social spending, reaching the most vulnerable through better targeting.
- **We see the overall approach to financial sectors policies as appropriate during the pandemic**. However, we note the heterogeneity in banking sector resilience among and within countries, which pre-dated the pandemic. We encourage the authorities to address directly and resolutely problems in specific banks in their jurisdictions. Making the resolution framework more effective will also help strengthen the authorities' capacity to deal with fragile institutions. In a context of inadequate fiscal policy space, it is even more important to ensure that the financial sector can perform its intermediation role. Staff's ideas to deepen the regional sovereign bond market are promising and worthwhile exploring.