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**Statement by Mr. Mouminah, Mr. Alhomaly, and Mr. Keshava on West African
Economic and Monetary Union
(Preliminary)
Executive Board Meeting
February 8, 2021**

We thank staff for the informative set of reports and Mr. Andrianarivelo and Mr. Alle for their helpful Buff statement. We are in broad agreement with the staff's policy recommendations and would like to focus our remarks on the following issues.

After recording strong growth during the period 2012-2019, the WEAMU region is facing severe challenges in the wake of the Covid-19 shock. Although we note that the health crisis has until now been less severe than in other parts of Africa, the economic deceleration in 2020, the security situation in the Sahel region, high fiscal and current account deficits, and the significant downside risks to the outlook underscore the importance of continued policy efforts by the national and regional authorities. In this connection, we agree that priorities should include pursuing fiscal consolidation in a gradual manner, preserving sufficient external reserves, promoting regional integration, deepening the regional sovereign bond market, and implementing comprehensive structural reforms to improve competitiveness and diversification.

We welcome the agreement between staff and the regional authorities on the need to return to the regional fiscal deficit ceiling of 3 percent of GDP by 2023. Indeed, a gradual consolidation will safeguard the economic recovery while helping preserve internal and external stability. In this context, it will be important to prioritize spending by targeting support to affected firms and households, as well as to improve public spending efficiency. We also agree that revenue mobilization efforts should be stepped up in the medium term in all WAEMU countries to create room for development spending while safeguarding debt

sustainability. *Staff's comments on the regional authorities' views on lowering the ceiling of the debt rule, which is currently at 70 percent of GDP, would be welcome.*

We commend the regional central bank (BCEAO) for their proactive measures during the crisis to mitigate the impact on credit flows and economic activity and encourage continued vigilance. In particular, the BCEAO should stand ready to tighten its monetary stance in case of external reserve pressures. We also take note of the ongoing reform of monetary arrangements with France, with BCEAO taking more responsibility to invest external reserves but losing the minimum guaranteed return on funds previously deposited at the French Treasury. *Since the recommendation of the 2018 safeguards assessment of the BCEAO related to the strengthening of the risk management function is still outstanding, we would welcome staff elaboration on how risk management tools are being strengthened especially in light of the ongoing reform of monetary arrangements.* On AML/CFT, we stress the importance of continued efforts to strengthen risk-based supervision, including by further developing the capacity to effectively carry out onsite inspection program virtually.

Finally, more regional measures are needed to improve competitiveness. In this regard, we echo the recommendations highlighted in the External Sector Assessment (Annex IV) on enhancing competitiveness by promoting economic integration, especially through better coordination of regional infrastructure investments, the enhancement of the regional competition framework, and the elimination of non-tariff barriers.

With these remarks, we wish the WAEMU authorities further success in their policy endeavors.