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

We commend the WAEMU and national authorities for their swift and forceful measures to address the Covid-19 crisis. At the regional level, an appropriate policy mix, including the suspension of the WAEMU fiscal convergence rule and the BCEAO's monetary easing measures, have helped mitigate the economic downturn and preserve financial stability. However, the medium-term outlook remains uncertain and the region faces significant downside risks. We broadly share staff's recommendations and would like to highlight the following points for emphasis.

We encourage further efforts towards a gradual return to a regional fiscal deficit of 3 percent of GDP by 2023. The fiscal consolidation trajectory recommended by staff strikes the right balance between the necessary adjustments and the preservation of regional internal and external stability. It also allows for enough flexibility, as it takes into account country-specific constraints. The upcoming review of the regional fiscal surveillance framework should provide an opportunity to entrench the credibility of the regional fiscal consolidation process. The WAEMU Commission would need to enhance its enforcement power at the union level to ensure compliance and implementation of fiscal objectives. *In this context, could staff elaborate further on the merits of the proposal to create a regional fiscal council of independent experts?* We also support lowering the ceiling of the debt/GDP ratio to better ensure debt sustainability over the longer run.

The BCEAO will need to strike the right balance between supporting the economy and preserving the path towards monetary reform. The current monetary policy stance seems to be appropriate. However, if the crisis were to persist, it would likely become more challenging for the BCEAO to ensure appropriate financial conditions, considering that it may need to tighten monetary policy to preserve foreign exchange reserves. We note that the ongoing reform of monetary arrangements with France is on a good path, including the end

of the centralization of part of the BCEAO's reserves at the French Treasury, and we call on the BCEAO to upgrade its reserve management capacity to ensure a smooth transition.

We encourage the authorities to pursue critical financial sector reforms. We welcome the progress in the Basel II/III transition process, including the strengthening of banks' balance sheets, a more transparent financial reporting framework, and AML/CFT and anti-corruption measures. Further progress will be needed to make the bank resolution framework fully operational as well as to develop the regional bond market. Since the microfinance institutions sector has been particularly weakened by the crisis, the BCEAO would need to carefully monitor its restructuring.