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

1. We thank the staff for the detailed report and Mr. Andrianarivelo and Mr. Alle for the comprehensive Buff. After eight years of consistent high growth, the economic momentum of West African Economic and Monetary Union (WAEMU) region has been stalled by the COVID-19 pandemic. Before the pandemic, WAEMU had accomplished many key milestones under the common policy framework. Fiscal convergence was broadly achieved in 2019 with aggregate fiscal deficit falling below 3 percent. The banking sector made significant progress in strengthening their balance sheets in terms of increase in capital adequacy ratio, decline in NPLs and growth in bank credit. The monetary framework had helped to foster economic and exchange rate stability. In fact, these strong macroeconomic fundamentals have enhanced the resilience of the region to enable a quicker economic recovery.
2. We commend the authorities for the sound measures to control the spread of pandemic. The triple crisis-health, economic and security- has dampened the growth in the region in 2020. We are encouraged by the strong growth prospect of more than 5 percent driven by rebound in private consumption, relaxation of containment measures and return of FDI. Elections in some member countries and surge in conflicts in some regions have adverse bearing on the pace of recovery.
3. Fiscal policy should strike a right balance between internal and external stability, and revival of growth. We agree that a gradual process of consolidation and convergence is the pragmatic way forward. The proposed review of the fiscal framework provides an opportunity to assess its three pillars – common fiscal rules, shared public finance management system and coordination mechanism for decentralized fiscal policies.

4. The paper “Economic and policy implications for the WAEMU of insecurity in the SAHEL”, gives a detailed account of the deterioration of security situation and the impact of conflicts and extremist violence on the region’s economy. The analysis shows an increase of 7 fatalities per million reducing annual night lights by 0.13 percent and GDP by 0.06 percent. The economic cost is compounded as a significant share of public expenditure is towards security which is more than 4 percent of GDP in some cases. We agree that improvements in fiscal transparency and public financial management as well as in AML/CFT regimes at the national level and risk-based AML/CFT supervision at the regional level are critical to meet these challenges.

5. We commend the BCEAO for effective measures taken during the crisis to prevent liquidity shortages by interest rate cuts and refinancing. Complementary measures included collateral-easing and implementation of Covid-19 T-Bills. *Could the staff comment on the efficacy of these complementary measures during the current crisis?*

6. Under the loan forbearance framework, banks and microfinance institutions (MFIs) are encouraged to postpone debt repayments of distressed firms and households. We encourage close supervision of the sector as capital adequacy ratio and share of NPLs are expected to deteriorate in the near and medium-term. Foreign exchange reserves are adequate though it would decline with the recovery of imports. We are encouraged by the authorities’ commitment to improving the depth and liquidity of the regional bond market. *It can also be seen that the external debt in the region which has been rising since 2017 further accelerated after the pandemic whereas the domestic debt has been broadly decreasing. Can the staff comment?*

7. We agree on the need to increase the intraregional trade from the current level of about 10 percent of members’ trade flows. We are encouraged by WAEMU’s efforts to address growth bottlenecks at national level and regional level policies to promote economic integration.

8. Finally, we wish the authorities’ the best in their efforts.