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September 22, 2021

**Statement by Mr. Bevilaqua, Mr. Velloso, and Ms. Cruz on Republic of Congo
(Preliminary)
Executive Board Meeting
September 24, 2021**

We thank staff for the report and Messrs. Andrianarivelo, N'Sonde, and Sidi Bouna for their helpful statement. We agree with the thrust of the staff appraisal and offer the following comments.

Last year, the country's socio-economic indicators worsened. The impact on aggregate demand of COVID-19 containment measures coupled with disruptions in the international oil market led to a sharp economic contraction in the Republic of Congo in 2020. This, in turn, led to a deterioration of the country's social outcomes, including higher poverty, food insecurity, and unemployment. Regrettably, social indicators are not expected to recover in the near term given limited fiscal space and staff's expectation of a weak recovery in 2021–22.

Achieving higher rates of inclusive growth over the medium-term will require steadfast implementation of ambitious but credible reforms. These should be focused on improving governance and transparency, promoting private sector led growth and economic diversification, and improving the economy's resilience to shocks, including from oil price volatility and weather events. In this regard, we welcome the authorities' decision to prepare a new five-year strategy that is broadly aligned with these objectives.

Developing a medium-term fiscal plan aimed at enhancing debt sustainability prospects while making room for well-target social spending is key. In this regard, we strongly encourage the authorities to review the oil sector's fiscal regime, continue improving tax administration, curtail tax exemptions and subsidies, and rationalize non-priority spending. If well-designed and steadfastly implemented, these actions would strengthen debt sustainability and social protection.

Addressing PFM weaknesses is also crucial. To strengthen the predictability and transparency of fiscal revenue management and spending control, a new financial management information system is expected to be launched following IMF technical

assistance. We urge the authorities to develop and make this new system operational as soon as feasible. Jointly with debt management reforms, this would help boost transparency and overall efficiency in the public sector.

We welcome the authorities' recent actions to improve governance, transparency, and anti-corruption and stress the importance of further actions. We take positive note, for example, of the operationalization of the Anti-Corruption and Transparency Commissions and stress the importance of providing sufficient resources for them to be able to discharge their duties. Also, we urge the authorities to submit to parliament, as soon as possible, the new anti-corruption draft law that is expected to align the country's obligations under the United Nations Convention Against Corruption (UNCAC), the Financial Action Task Force (FATF), and among other relevant treaties.

Finally, we welcome the authorities' intention to engage in discussions with staff on a possible ECF arrangement, as noted in the BUFF statement. However, to lend credibility to the program and increase its likelihood of playing a catalytic role in attracting financing from other IFIs and bilateral donors, we would expect, at a minimum, the missed structural benchmarks under the previous ECF to become either prior actions or frontloaded structural reforms under the new ECF. Also, particularly emphasis should be given in the program discussions to identifying tangible and credible measures aimed at further improving governance and transparency.

With these remarks we wish the authorities and people of the Republic of Congo success in their future endeavors.