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September 22, 2021

**Joint Statement by Mr. Dresse, Mr. Massourakis, Mr. Sigurgeirsson, Ms. Ekelund, Mr. Cools, Ms. Mastrapasqua, and Ms. Mateus on Republic of Congo
(Preliminary)
Executive Board Meeting
September 24, 2021**

*We thank staff for the comprehensive staff report and Mr. Andrianarivelo, Mr. N'Sonde, and Mr. Sidi Bouna for their insightful Buff statement. The pandemic, compounded with the collapse in oil prices, took a heavy toll on the Republic of Congo's economy. We welcome the steps taken by the authorities to restore debt sustainability and encourage continued efforts toward diversifying the economy, enhancing its resilience to shocks. **We broadly support staff's appraisal** and offer a few additional comments:*

- **Fiscal policy should be geared toward expanding fiscal space, through revenue mobilization, and to increase social and infrastructure spending.** We invite the authorities to review the fiscal oil sector regime to limit tax exemptions. We welcome the improvements in tax administration and encourage additional efforts to broaden the tax base and reduce the number of VAT exemptions. In addition to strengthening the recently redesigned social assistance program (Lisungi), additional resources should be oriented towards health and education, which can have a positive impact on productivity, employment and reducing social inequalities. We appreciate staff's analysis on Annex V on Social Spending and the advice to improve spending efficiency. Moreover, it is essential to increase spending on productive infrastructure, for instance on agriculture-related activities and to improve resilience to climate shocks, coupled with strengthening public investment management. We also welcome the authorities' steps to clear arrears.

- **We welcome the Congolese structural reforms agenda, specifically oriented towards a reinforcement of public governance, transparency, and anti-corruption legislation.** We agree with staff and the authorities that the focus should now be on implementation.

We encourage the authorities to further continue efforts to ensure transparent use of public funds and resources freed by the DSSI and welcome the commitments made regarding transparency of pandemic-related spending. While Capacity Building efforts have been mixed, we were pleased to see Annex VIII on the strategy for Capacity Development and consider that fiscal, debt management, governance and statistics are the right priorities.

- **We urge the authorities to support economic diversification and adaptation to climate change**, in accordance with their climate resilience strategy, also in view of reducing Congo's dependence on rather volatile oil revenues. Efforts toward a more diversified market economy may also reduce to a certain extent Congo's vulnerabilities to climate change - such as risks of desertification, extreme weather events, water scarcity and food insecurity - while engaging in profitable and job-generating economic activities. We congratulate staff on the well-chosen topic of Climate Change Adaptation and Transition in an oil exporter for the Selected Issues Paper. This is a first in its kind, and we hope this will be a model to be replicated for other oil exporting countries. We welcome the focus on inclusion and diversification for the 2022-2026 growth strategy.

- **We welcome the announcement in the Buff statement of the authorities' intention to resume discussion with Fund staff on a possible new ECF program to replace the 2019 program which lapsed earlier this year.** A strong UCT-program that catalyzes additional financial assistance from other international organizations and donors could enable spending on resilience building and poverty reduction, essential to addressing fragility. Such program should build on the governance commitments in the 2019 program and the 2019 Governance diagnostics. We hope that the pending debt restructuring discussions with one of the private creditors may be finalized soon and invite the authorities to actively negotiate reducing outstanding arrears with official creditors.