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January 8, 2021

**Joint Statement by Mr. Buissé, Mr. Ronicle, Mr. Rozan, Mr. Clark, and Mr. Comolet on  
Central African Republic  
(Preliminary)  
Executive Board Meeting  
January 12, 2021**

We thank staff for the informative reports and Mr. Andrianarivelo and Mr. Bangrim Kibassim for their insightful Buff statement.

Program performance in the Central African Republic (C.A.R) has been substantially affected by the pandemic. Whilst there were early shortfalls in policy implementation, there have been improvements in program implementation over recent months. This includes positive fiscal developments broadly in line with the RCF projections and progress in implementing structural reforms, including through the prior and corrective actions implemented for this review. Given this, **we support the completion of the first and second reviews under the ECF arrangement and the request for waivers for the non-observance of performance criteria.**

We agree with staffs' recommendations that the authorities should focus on ensuring financing is effectively spent on fighting the pandemic. We welcome the contribution of the program to the ongoing CEMAC regional strategy. Going forward, we agree that the focus should be to return to a sustainable financing path, through revenue mobilization, spending prioritization, public financial management and wider governance and business environment reforms. Strong ownership of the Fund program, complemented by strong donor technical assistance and coordination between the Fund and the Bank, will continue to be essential to mitigate the current macroeconomic risks.

We support staffs' adaptive approach to the program, a necessary feature in the current context, given the heightened risks highlighted in the report, and the fact that the country faces ongoing political economy challenges, as well as humanitarian and security issues. In this regard, we found Annex II particularly informative in presenting an alternative scenario

and the case under which additional grant financing and cuts in non-priority spending would be needed.

**The ECF arrangement should remain the key anchor of the CAR's macroeconomic reform program.** The emphasis on domestic resource mobilization, governance, and wider capacity building will remain critical, given wider fragility issues. We particularly welcome the submission of the 2021 draft budget law and the law on the asset declaration regime to Parliament and the mainstreaming of 2018 and 2019 corporate tax returns. *On the asset declaration law, could staff elaborate more on its coverage and content and the deviations from the Fund's recommendations?*

**The improvement of public financial management and domestic resource mobilization will be critical to program implementation.** Overall, fiscal developments during the first three quarters of 2020 were broadly in line with the RCF estimates. We strongly welcome that targets on social spending, and on the recourse to exceptional spending procedures, as well as on contracting or guaranteeing new external non-concessional debt were met. However, all PCs criteria on domestic revenue, the domestic primary fiscal balance and the reduction on domestic payment arrears were missed.

We welcome the progress and actions in the area of public financial management, including daily reconciliation of tax revenue estimates and improvements in the transfer of the public agencies' revenue to the Treasury Single Account (TSA). The centralization of tax receipts in the TSA will also remain important. The improvements in implementation of the new legal framework for public and para-public institutions and enterprises, and the payment of some civil servants' salaries through the electronic payment system are also important steps forward. *Whilst we welcome greater oversight of public agencies and enterprises, could staff elaborate on the overall fiscal and social impact of the planned elimination of public agencies without economic justification?*

On domestic resource mobilization, we strongly welcome Annex II and agree with the findings and the key elements of what a medium-term strategy would look like. Continued and coordinated support to the tax and customs administrations remains necessary.

**We strongly support the authorities' commitment to ensure transparency in the monitoring of COVID19-related expenditures.** In this respect, we welcome the creation of an inter-ministerial committee tasked with the supervision of COVID19-related expenditures, the publication of tenders and those selected enterprises, and the audit of COVID19-related expenditures to be published in 2021. Beyond, continued efforts will be needed on enhancing business environment.

**The authorities will need to enhance efforts to address long standing governance and business environment issues.** Efforts should remain focused on adopting and implementing

the asset declaration regime and the anticorruption law as well as the new labor law. *In this regard, could staff elaborate on any recommendations that have been taken forward from the recent IMF Governance Diagnostic Report of October 2020 and what any next steps will be?*

**Finally, we note that CAR remains at high risk of overall and external debt distress.** We therefore support staffs' recommendation that the authorities should continue to rely heavily on grant financing. We welcome the clearance of the external arrears to FIDA and the enhanced coordination between the debt unit and the Treasury directorate are important developments. We note that the authorities are now intending to repay all their domestic arrears by end-2021. *Could staff give more details on the nature of C.A.R's arrears to its private creditors?*