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GRAY/21/75

January 8, 2021

**Statement by Mr. Zhang and Mr. Huang on Central African Republic
(Preliminary)
Executive Board Meeting
January 12, 2021**

We thank staff for the insightful reports and Mr. Andrianarivelo and Mr. Bangrim Kibassim for their helpful Buff statement. The COVID-19 pandemic has added to other challenges that the Central African Republic is facing. A large number of populations remain affected by violent conflicts and need humanitarian aid. The authorities are commended for not only their timely measures in response to the pandemic, but also their determined actions to implement structural reforms during the difficult time. We support the completion of the first and second reviews under the Extended Credit Facility (ECF) Arrangement and the authorities' request for waivers of nonobservance of performance criteria. We broadly agree with staff's appraisal and would like to limit our comments to the following for emphasis.

As the pandemic abates, the authorities should resume their efforts to enhance domestic revenue mobilization. Despite a steady increase for the past few years, the tax to GDP ratio remains relatively low compared to peer countries. The pandemic and associated containment measures had a negative impact on tax collection and delayed the reforms to strengthen tax and custom administration. As the situation normalizes, the authorities should step up their efforts to enhance revenue mobilization by digitalizing tax declaration and payments, increasing the number of corporate taxpayers, and strengthening coordination between tax and custom administrations. The review of parafiscal taxes levied directly by line ministries is a step in the right direction. Like staff, we suggest the authorities to eliminate taxes and fees without justification and transfer the others to the Treasury Single Account (TSA).

More should be done to strengthen public financial and debt management and increase spending efficiency. The risk of debt distress is high, but the public debt level remains sustainable. Due to insufficient coordination between the treasury directorate and debt unit, the authorities have temporarily accumulated external arrears with the International Fund for Agricultural Development (IFAD). We encourage the authorities to further strengthen public

debt management in order to avoid a recurrence of this in the future. *We take note that staff's recommendation of eliminating seven public agencies without economic justification was rejected by the Parliament, but once again proposed as a new structural benchmark. Could staff elaborate more on the authorities' view and the possibility of getting sufficient political support this time?* We commend the authorities' commitment to ensure the transparency and accountability of COVID-related spending. The publication of all procurement contracts and the beneficial owners of the awarded legal entities, including those not related to the pandemic, is more than welcome.

Advancing structural reforms are essential to achieve a sustainable and inclusive recovery. The authorities' efforts to improve the business climate is welcome. A stable political and macroeconomic environment is key to promote private sector development and attract foreign investments. A mining code in line with international practice would help the country to make better use of its rich natural resources. We take positive note that the Fund's governance diagnostic report has been published and look forward to the anti-corruption action plan and the new anti-corruption law. Given that most of the population lacks access to financial services, we support the authorities' efforts to promote financial inclusion by developing mobile banking.

With these remarks, we wish the authorities every success in their future endeavors.