

SU/21/140

September 27, 2021

**The Acting Chair's Summing Up
Republic of Congo—2021 Article IV Consultation
Executive Board Meeting 21/95
September 24, 2021**

Executive Directors agreed with the thrust of the staff appraisal. They noted that the Republic of Congo has been hit hard by the COVID-19 pandemic and oil price shocks. The recovery is expected to take hold in 2022, while considerable uncertainty surrounds the outlook. Directors agreed that achieving the growth needed to exit fragility and sustain progress in poverty reduction will require strong efforts to address structural impediments, build climate resilience, and diversify the economy. Strengthened governance and transparency is critical to secure much-needed financing from the Fund and development partners in support of the authorities' adjustment efforts. In this context, Directors welcomed the authorities' intention to engage in discussions with the Fund on a possible Extended Credit Facility arrangement.

Directors welcomed the authorities' fiscal prudence and debt restructuring efforts that have contributed to debt sustainability. They agreed that fiscal policy should continue to support the recovery in the near term, through increased spending on health and social assistance, as well as payment of domestic arrears. Noting that debt-related risks remain substantial, Directors stressed the importance of medium-term fiscal consolidation, enhanced debt management and transparency, and non-oil revenue mobilization. They recommended a comprehensive review of the fiscal regime of the oil sector, reduced transfers to state-owned enterprises (SOEs), and improved public investment efficiency. Directors highlighted that these measures would help to create space for much-needed social and infrastructure spending. Given financing constraints, they supported the authorities' plan to use the newly allocated SDRs for critical social programs.

Directors welcomed ongoing efforts to reduce financial sector vulnerabilities, including through domestic arrears clearance. Nonetheless, the still high non-performing loans call for continued close monitoring of the banking sector.

Directors urged further efforts to improve governance and transparency. They welcomed the progress toward adopting a new anti-corruption law and encouraged strong focus on implementing the anti-corruption architecture, supported by measures to improve SOE governance and enhance public financial management more broadly.

Directors emphasized the importance of advancing structural reforms to support economic diversification and adaptation to climate change. They encouraged the authorities to continue improving the business environment, facilitating private sector investment, and fostering competitiveness.

It is expected that the next Article IV consultation with the Republic of Congo will be held on the standard 12-month cycle.