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**Statement by Mr. Andrianarivelo, Mrs. Raolisoa Andrianometiana, and Ms. Nankunda
on France
(Preliminary)
Executive Board Meeting
January 13, 2021**

We thank staff for an informative set of reports and Mr. Buissé and Mr. Rozan for their helpful Buff statement.

France' economy was broadly stable before to the crisis due to prudent macroeconomic policies implemented over the recent years. However, like many, the country has suffered from the economic and health fallout of the Covid-19 pandemic. This pandemic has impacted government operations, employment, and health services. Against this backdrop, we commend the authorities for their prompt and decisive actions, most notably the introduction of large emergency fiscal packages to alleviate pressures, sustain jobs and businesses, and support the recovery process. We further note that negative spillovers have unevenly affected the most vulnerable households. Given the significant downside risks to the outlook stemming mostly from a prolonged pandemic, we therefore encourage the authorities to remain committed to sound policies to support the economy in the near-term and enhance medium-term growth.

We believe that fiscal policy should continue to mitigate the effect the pandemic in the economy, while setting the stage for a quick recovery. This has led to sharp a contraction in economic activity in 2020 and widened fiscal deficits. The country should continue to provide financial support to households and companies, particularly vulnerable groups and SMEs most affected by the crisis. In this respect, we appreciate the authorities' intention to remain flexible and pursue a medium-term expenditure-based consolidation plan to put public debt on a downward trajectory. When the recovery is fully entrenched, the authorities

should also consider targeting fiscal support to more productive sectors as recommended by staff. We commend the authorities for approving the civil society reforms and encourage progress once the pandemic abates to support fiscal consolation. We also welcome the authority's commitment toward transparency and safeguarding public funds with the publication of the information on public procurement contracts, including on the beneficial owners. *We also welcome staff elaboration on which measures the authorities are putting to support the Agriculture sector.*

We note that the banking system and financial sector remain resilient and capitalized.

The banking sector's comfortable pre crisis buffers, coupled with liquidity measures introduced have facilitated credit to the economy. Notwithstanding, the authorities should monitor insolvency risks to the corporate sector and strengthen insolvency frameworks, as the second wave of infections and associated lockdown is likely to intensify corporate insolvency. Moreover, we agree with the staff on the need to continue to closely monitor intragroup transactions of conglomerates to prevent the buildup of corporate risks. Once the crises subside, we concur that State loan guarantees should be gradually scaled down while shifting support towards targeted equitylike financing for viable productive companies. We welcome the authorities' commitment to the timely implementation of the EU restructuring directive. We note their preparedness should insolvency cases hike. We further encourage the authorities to continue strengthening their AML/CFT framework in line with best practices.

We support the authorities on their structural reforms to address rigidities associated with the longstanding high unemployment, improve productivity, and sustain economic transformation. We note the importance of job-rich green investment policies included in the "Plan de Relance", which will be critical to increase labor force participation, facilitate greening the recovery as well as implement climate change policies in line with the Paris Climate Agreement and European targets. These policies should be complemented by business regulation and tax reforms that address the existing distortions and inefficiencies. Pursuing policies to boost digital transformation of the economy and to liberalize product and service markets will also improve productivity.

With these remarks, we wish the French authorities' success in this challenging situation.