INTERNATIONAL MONETARY FUND

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REPUBLIC OF CONGO

July 2022

FIRST REVIEW UNDER THE THREE-YEAR EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE REPUBLIC OF CONGO

In the context of the staff report, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 24, 2022 following discussions that ended on April 18, 2022, with the officials of the Republic of Congo on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 10, 2022.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Republic of Congo.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR 22/227

IMF Executive Board Concludes the First Review of the Extended Credit Facility Arrangement for the Republic of Congo

FOR IMMEDIATE RELEASE

- Conclusion of this review enables the Republic of Congo to draw the equivalent of SDR 64.80 million (about US$ 87 million) as a disbursement under the Extended Credit Facility arrangement.
- Economic recovery is gaining momentum but remains fragile against the backdrop of the COVID-19 pandemic and global consequences of the war in Ukraine. More vigorous economic activity is being held back by rising inflation, as global food and oil prices surge.
- Maintaining momentum in structural reforms and improving governance and transparency will be critical to attaining higher, more resilient, and inclusive growth. Key among these are reforms in public financial management (PFM), anti-corruption measures, and energy sector reforms.

Washington, DC – **June 24, 2022:** The Executive Board of the International Monetary Fund (IMF) concluded today the 1st review of the Republic of Congo's SDR 324.0 million arrangement under the Extended Credit Facility (ECF), which was approved on January 21, 2022. This allows for the immediate disbursement of SDR 64.80 million (about US$ 87 million). This financing from the IMF will continue to help the authorities to implement their development policies, maintain macroeconomic stability and support economic recovery in the context of the pandemic and rising inflation.

Performance under the Fund-supported program has been satisfactory. All performance criteria were met, and program-supported structural reforms are advancing. A new public financial management (PFM) medium-term strategy and action plan are in place, a new anti-corruption law has been adopted, and good progress is being made towards publication of a decree on conflict of interests.

Fiscal policy will need to maintain the delicate balance between supporting a robust economic recovery while safeguarding debt sustainability. Part of the oil revenue windfalls should finance increased social assistance and tax deferrals initiated during the pandemic to help vulnerable businesses and households cope with high inflation.

Progress in procurement and management of debt and public finances, including public investment, remains essential to avoiding accumulation of domestic and external arrears and improving spending efficiency and quality. Debt management reforms, coupled with implementation of the new anti-corruption architecture, could also help cement recent gains in governance and transparency.

Policies under this ECF-supported program will continue to help reduce fragilities and place the Republic of Congo onto a path of higher, more resilient, and inclusive growth. It will also contribute to the regional effort to preserve external stability for the Central African Economic and Monetary Union (CEMAC).

At the conclusion of the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, made the following statement:

"The Republic of Congo's recovery is gaining momentum but remains fragile amid the on-going COVID-19 pandemic and ripple effects from the war in Ukraine, particularly due to the rapidly rising food prices. The recovery is driven by improved oil revenues, while the non-oil sector faces headwinds from inflationary pressures. Risks to the outlook remain significant, including from lower oil prices and production, new pandemic waves, weak reform implementation, and climate shocks.

"Program performance has been satisfactory. All performance criteria were met and program-supported structural reforms are advancing. The authorities remain committed to pursuing a recovery that reduces fragilities and results in higher, more resilient, and inclusive growth.

"Fiscal policy aims at ensuring an appropriate balance between supporting the post-pandemic economic recovery, addressing repercussions of the war in Ukraine, containing inflationary pressures, and safeguarding debt sustainability. To this end, part of the oil revenue windfalls will finance arrears payments and increased social spending, and part will be saved to boost fiscal buffers and CEMAC regional reserves. It will also be paramount to implement the authorities' revenue mobilization strategy, better prioritize public investment projects, strengthen cash management, and improve debt management. Public-sector liability management operations, including refinancing of external debt, should be consistent with debt sustainability.

"The authorities are encouraged to persevere in their ambitious structural reform agenda which, combined with the fiscal policies outlined above, will be key to unlocking financing from development partners as well as achieving private sector-led economic diversification. Priority reform areas include public financial management, governance, transparency, and financial inclusion. In the current environment, it would be particularly important to ensure oil revenues are managed transparently and to continue energy sector reforms."

INTERNATIONAL MONETARY FUND

REPUBLIC OF CONGO

June 9, 2022

FIRST REVIEW UNDER THE THREE-YEAR EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Economic recovery is gaining momentum but remains fragile amid the on-going COVID-19 pandemic and Ukraine war's ripple effects. Despite oil exports benefiting from high oil prices, the war's impact on prices of food and other essentials weighs on households and businesses. Over the medium term, challenges from climate change and the global transition to low-carbon economies persist. In this context, steadfast reform implementation is needed to reduce fragility through job creation and higher incomes. Debt remains sustainable but is classified as "in distress" due to arrears; a financing assurances review was conducted. Debt vulnerabilities to negative oil price shocks remain. A three-year Extended Credit Facility (ECF) arrangement in the amount of SDR 324 million (200 percent of quota) was approved by the IMF Executive Board on January 21, 2022.

Outlook and risks. Real GDP growth in 2022 will be driven by improved oil production while non-oil activity will face headwinds from rising inflation. Key risks stem from lower oil prices and production, new pandemic waves, and weak reform implementation.

Program performance was satisfactory. All end-February 2022 performance criteria (PCs) and indicative targets (ITs) were met except the social spending IT. One end-March 2022 structural benchmark was met. The other was not but its key element—Parliamentary approval of the new anti-corruption law—was implemented in February.

Program strategy. The authorities continue to pursue a recovery that reduces fragilities and results in higher, more resilient, and inclusive growth. To this end, part of the oil revenue windfalls will finance social assistance and tax deferrals in 2022 and social spending and domestic arrears payments during 2023-27. Remaining windfalls will be saved to build buffers. Program fiscal targets continue to pursue fiscal consolidation in support of debt sustainability. Strengthened domestic revenue mobilization, enhanced management of public finances and debt, and energy and broader governance reforms remain a prominent part of program conditionality. The arrangement is helping catalyze development partner financing and will be supported by regional CEMAC efforts to maintain an appropriate monetary policy stance, build up regional reserves, and promote financial sector stability.

Approved By
Vitaliy Kramarenko (AFR) and Gavin Gray (SPR)

Discussions on an ECF-supported program were held virtually during March 31-April 13 and April 18, 2022. The staff team comprised Ms. Mitra (head), Ms. El Idrissi, Mr. Islam, Mr. Sulemane (all AFR), Mr. Chaudry (SPR), Ms. Liu (FAD), Mr. Turkewitz (LEG), Mr. Million (Resident Representative), Mr. Nsongui Tonadio (local economist), and Mr. Sarda (FAD long-term expert). Mr. Tsoungui (World Bank) joined the technical meetings. Ms. Akor provided research support and Ms. Adjahouinou assisted in preparing the staff report.
The mission held discussions with the Hon. Mr. Andely Minister of Finance and other senior officials. The mission also met representatives of the private sector, civil society, and development partners.

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CONTEXT

1. Ripple effects of the Ukraine war are benefitting the Republic of Congo's oil exports but weighing on households and businesses (Box 1). High oil prices have increased export receipts for Congo's unprocessed oil, bolstering the fiscal and current account balances. However, households and businesses are suffering from higher food and fuel import bills, transit costs for all imports, and prices of import substitutes. Notably, cereals (40 percent sourced from Russia) are one quarter of food imports. Continued regulation of fuel and certain staples prices provides some protection to households but at the cost of eroded profit margins for producers, distributors, and some state-owned enterprises (SOEs). Spillovers from international financial market volatility will be contained given Congo's limited integration into these markets.

2. This latest crisis combined with existing pressures from the COVID-19 pandemic and climate change are aggravating Congo's fragilities (Annex 1). New pandemic cases are currently low but, since 2020, the pandemic's cumulative human and economic toll has been significant (Box 2)—including through erosion of the population's earnings potential. Pandemic-driven poverty and the on-going adverse impact of climate change are raising food insecurity, where the urban food insecure totaled 700,000 people in 2021. This number is set to rise with accelerated food inflation sparked by the Ukraine war. While there are no signs of social unrest ahead of the Summer 2022 parliamentary elections, there are serious public concerns over rising poverty, a lack of economic opportunities, poor quality public services, and weak governance. Absent economic diversification, further challenges lie ahead with the repercussions of reduced global oil demand following the expected global transition to low-carbon economies. Deep structural and governance reforms—backed by development partner financing and capacity building support—will be needed to overcome all of these challenges and raise medium-term incomes, inclusiveness, and resilience.

Box 1. Ukraine War's Impact on the Republic of Congo

The war in Ukraine has resulted in wheat prices surging to levels of the 2007-08 global food crisis, a tripling of fertilizer prices, and record high oil prices—all fueling inflation.[1] *These effects are expected to worsen as the duration of the war extends. The uncertain global situation could also raise risk aversion and volatility of global financial markets. Despite benefits from high oil prices, the Ukraine war's impact will weigh on the Republic of Congo's economy.*

High oil prices are bolstering fiscal and external positions.

- Increased oil prices are expected to raise oil revenues by 4.7 percent of non-oil GDP in 2022 (relative to pre-crisis projections, IMF Country Report No. 22/49) net of increased debt service due to payments to the two largest commercial creditors being tied to oil prices. This windfall far exceeds the additional costs of policies to address food insecurity (¶12). Higher dividends are also expected from the SOE managing oil sector development (exporting unprocessed oil). However, transfers to SOEs dependent on imports of processed oil—such as the electricity company (CEC) and the refinery (CORAF) will also rise.

Box 1. Ukraine War's Impact on the Republic of Congo (concluded)

- The current account is projected to improve by 11.7 percent of GDP in 2022 (relative to pre-crisis projections, IMF Country Report No. 22/49). Oil exports (80 percent of total exports) projected to rise by 12.6 percent of GDP will more than offset the 1.9 percent of GDP increase in fuel imports and food imports—cereals account for one quarter of food imports, 40 percent of which are sourced from Russia. Rising costs of other imports due to higher transport costs will be largely offset by continued momentum in import substitution initiated during the pandemic.

Inflation is on the rise, projected to grow from 2.0 percent in 2021 to 3.5 percent in 2022.[2] This is largely owing to increased import costs, which are partially passed through to consumers while producers' and distributors' margins are also eroded—especially for fuel and food companies where fuel and staple food prices (about 25 percent of the CPI basket) are regulated. Cereals' shortages are also raising the price of substitutes whose prices are unregulated.

Food insecurity will worsen. High food prices and supply shortages are adding pressures to high urban food insecurity—there were already 700,000 food insecure people in Brazzaville and Pointe-Noire in 2021. Domestic food production covers only 30 percent of the country's needs. Farming, including for cassava, is largely for subsistence and cannot be quickly scaled up.

Non-oil economic growth will face headwinds.

- High inflation, eroding households' purchasing power and increasing business' operating costs will weigh on domestic demand. Rising fertilizer prices (Congo is a net importer) could adversely impact agricultural activity from 2022H2 onwards. High oil revenues are supporting financial sector liquidity which combined with improved access to finance (¶20) will support gradual expansion of agriculture and assist businesses facing eroding margins.

- Spillovers from international financial market volatility will be contained given Congo's limited integration into these markets. However, in the near term, increased risk aversion may limit new foreign investment, even in the oil sector. Over the long term, if high prices for oil, fertilizer, and metals are sustained, investment may rise in new production sites and mines—Congo has a globally significant potash basin.

[1] April 2022 IMF World Economic Outlook.

[2] The 2007–08 food crisis raised inflation from 2.6 percent in 2007 to 6 percent in 2008.

Box 2. COVID-19 Pandemic in the Republic of Congo[1]

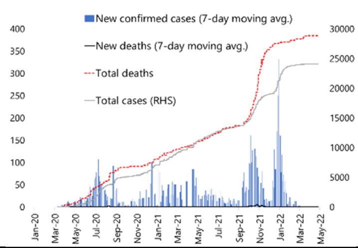
Currently, new cases are low following the surge from Delta and Omicron variants earlier in the year (Panels 1 and 2). As of May 2, 2022, there were 24,079 confirmed cases, 385 deaths and 23,602 recoveries. In March 2020, government policies in response to the pandemic were stricter than the world average; however, these policies have gradually become less strict with some tightening of restrictions in recent months (Panel III)—including curfew extensions and vaccine or negative COVID-test requirements to enter public buildings. All departments of the country have been affected by the pandemic with Brazzaville and Pointe-Noire having the highest confirmed cases of COVID-19 (Panel IV).

Vaccine deployment began in March 2021 with the aim of vaccinating the adult population (equivalent to 60 percent of the total population) by end-2022. The 3 percent of people most exposed to the disease (e.g., health care and social workers, teachers, border professionals) were vaccinated first. The next 17 percent (e.g., students, retail and office personnel) are currently being vaccinated. The authorities plan to pursue vaccination of the remaining 40 percent of the population but vaccine hesitancy could impede these efforts.

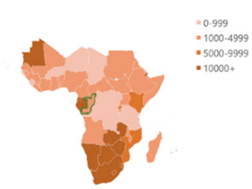
As of April 24, 2022, 14 percent of the population was fully vaccinated—9 percent with single doses of Sputnik Light or Johnson and Johnson and 5 percent with double doses of Sinopharm, Sputnik V, or Pfizer. Another 1 percent of the population is partially vaccinated, having received one dose of Sinopharm, Sputnik V, or Pfizer.

To support businesses, since May 2021, the government has deferred certain tax and duty payments, cut the corporate tax rate (from 30 to 28 percent), and reduced the turnover tax for small businesses (from 7 to 5 percent for turnovers below CFAF 100 million). BEAC also implemented monetary easing—including lowering the policy rate by 25 bps to 3.25 percent in March 2020, injecting liquidity to banks, and implementing temporary purchases of government securities. These temporary monetary measures are being rolled back.

COVID-19 Trends

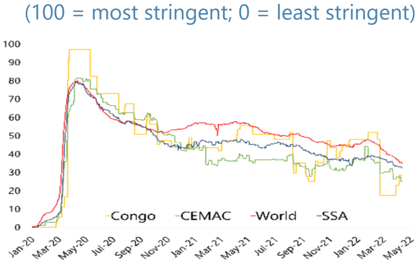


COVID-19 Cases per Million of Inhabitants



COVID-19 Government Response Stringency Index[2]

(100 = most stringent; 0 = least stringent)



COVID-19 Statistics by Department

	Confirmed Cases			Deaths	Recoveries
	Total	Female	Male	Cumulative	Cumulative
Bouenza	92	28	64	7	85
Brazzaville	14467	5695	8772	217	14212
Cuvette	144	49	95	3	141
Cuvette-Ouest	60	4	56	0	60
Kouilou	175	57	118	2	173
Lekoumou	33	10	23	1	32
Likouala	90	14	76	1	89
Niari	54	25	29	5	49
Plateaux	151	40	111	0	151
Pointe-Noire	8550	2436	6114	142	8392
Pool	42	14	28	4	38
Sangha	183	39	144	3	180
Total	**24041**	**8411**	**15630**	**385**	**23602**

Sources: Congolese Authorities; WHO; John Hopkins Coronavirus Resource Center; Oxford COVID-19 Government Response Tracker

[1] Figures as of May 2, 2022 except COVID-19 statistics by department which are as of April 24, 2022.

[2] Government Response Stringency Index is a composite measure based on nine government response indicators, including school closures, workplace closures, stay-at-home requirements, and travel bans.

RECENT ECONOMIC DEVELOPMENTS

3. **Overall economic growth in 2021, estimated at -0.6 percent, was held back by weak oil production.** Insufficient investment by large producers and maturing oil fields led to oil production contracting 11.0 percent. Non-oil real GDP growth, estimated at 3.6 percent, was fueled by agricultural and mining expansion, substitution toward locally-sourced inputs (versus imported inputs), social spending, and domestic arrears payments. Inflation remained subdued, averaging 2.0 percent, although food inflation was on the rise (Figure 1).

4. **The pandemic's impact widened the 2021 non-oil primary deficit to 17.3 percent of non-oil GDP.** The projected 2 percent of non-oil GDP increase in the non-oil primary deficit, relative to 2020, was driven by higher goods and services spending (vaccines, healthcare), stepped up social transfers, and grant shortfalls. Non-oil revenues and oil-related transfers remained broadly similar to 2020 (as a percent of non-oil GDP)—where higher oil prices counteracted savings from continued reforms in the state-owned (SOE) electricity company and oil refinery. The overall balance benefited from increased oil revenues—high oil prices offset weak oil production—which helped finance the non-oil deficit, build deposits, service debt, and repay domestic arrears. Liquidity pressures were also alleviated through use of the remaining 2009 SDR allocation and the extension of the G-20 DSSI through end-2021.

5. **In 2021, a substantial improvement in the current account balance was broadly offset by increased financial outflows.** Improved oil exports and lackluster imports—with weak import demand following the pandemic—raised the current account balance to 12.6 percent of GDP (relative to -0.1 percent of GDP in 2020). The benefit of these inflows to the balance of payments were broadly eroded by outflows from public sector debt service to external private and official creditors as well as public and private sector debt service to regional commercial banks.

6. **Banking sector vulnerabilities were gradually reduced.** Non-performing loans (NPLs) remained around 17 percent in 2021 after a large decline in 2020 owing to domestic arrears' payments outweighing the effects of economic contraction and temporary prudential relaxation measures by COBAC. Banks' improved liquidity and gradual deposit growth contributed to raising private sector credit growth from 4 to 10 percent between end-2020 and end-2021. The capital adequacy ratio increased from 19 to 22 percent between end-2020 and end-August 2021, reflecting improved risk-weighted assets and positive credit and deposit trends. Restructuring plans are being considered for two weak banks.

MACROECONOMIC OUTLOOK AND RISKS

7. **Economic recovery is underway, driven by improved oil production, while non-oil activity faces headwinds from high inflation.**

- Real GDP growth is expected to gain momentum in 2022, rising to 4.3 percent. Oil production is anticipated to expand by 6.1 percent with the largest producers resuming investment. Spillovers from high oil revenues, agricultural activity, mining investments (potash and iron ore), and continued vaccine rollout are expected to support 3.3 percent non-oil growth. The composition of fiscal consolidation (¶12) will limit its growth impact—with increased capital and social assistance spending and reduced SOE transfers and goods and services spending. More vigorous non-oil economic activity is mainly held back by high inflation and related monetary tightening constraining spending and investment by households and businesses.

- Average inflation is expected to rise to 3.5 percent driven by the effects of the Ukraine war—food price pressures and generally higher import prices (¶1). To help contain inflation expectations, BEAC raised its policy rate by 50 basis points in March.

- The current account balance is projected at 17.2 percent of GDP in 2022. Increased oil receipts (¶1) combined with financial support from the IMF and development partners will support financing needs from increased import costs, especially for food, and a buildup of international reserves. Large oil revenues will also finance debt service—with G20 DSSI payments due from June 2022 and payments to the two largest external commercial creditors tied to oil prices. Given global uncertainties, improvements in foreign direct investment and other financial inflows are expected to be limited.

8. **The medium-term outlook will depend on reform implementation aimed at reducing fragility through job creation and higher incomes, especially for the poor.** Real GDP growth averaging 3.5 percent during 2023-27 is anticipated to be driven by non-oil growth reaching 5 percent by 2026-27, based on prudent policies and structural reforms underlying economic diversification. These include increased social and development spending (health care, education, infrastructure) and reforms in governance, the financial sector, and the business environment. Oil production growth is expected to average 1.5 percent, with production peaking in 2024. Non-oil export growth is likely to be gradual. Strong import growth associated with oil (up to 2024) and non-oil investment will shift the current account into a 2 percent of GDP deficit by 2027. Net external inflows will improve relatively quickly during 2023-25 as external debt service (public and private) declines and development partners' project support and FDI improves. Current inflationary pressures are expected to subside to 3 percent (consistent with CEMAC inflation targets) over the medium term, including owing to expanded weather-resilient domestic food production. Pressures from increased consumption and investment will be offset by broad supply-side expansion of the non-oil economy.

9. **Risks are tilted to the downside (Annex II).**

- Spillovers from an intensification of global geopolitical tensions and deglobalization could be manifold—a proliferation of conflicts across the globe, volatile commodity prices, increased transport and import costs, and global food shortages—affecting investment, exports, imports, remittances, and inflation.

- Oil revenues could suffer from a decline in oil prices as well as production risks (partly dependent on the government's success in phasing out historical tax concessions to oil producers).
- Slow vaccine rollout and outbreaks of highly contagious variants could require strict lockdowns and increased health and social assistance spending (largely offset by reduced capital and non-essential goods and services spending).
- Non-oil growth and the authorities' ability to implement fiscal policies will depend on successful reform implementation, domestic arrears payments, oil sector developments, quelling of the pandemic, and continued socio-political stability.
- Adverse weather conditions could weigh on agricultural production raising food insecurity and inflationary pressures.
- On the upside, accelerated reform implementation—supported by development partners—could boost private investment, higher metals and phosphate prices could increase mining investments, and there may be new low-cost oil and gas field discoveries. Oil prices could rise even further, benefiting exports and oil field investment.

PROGRAM PERFORMANCE

10. All end-February 2022 performance criteria (PCs) were met (Text Table 1, Table 12). All indicative targets (ITs) were also met except that on social spending due to delayed project implementation associated with the start of the budget cycle, which is not expected to impact the end-2022 target.

Text Table 1. Republic of Congo: Summary of Program Performance

Description	Criteria	Feb 2022
Quantitative Performance Criteria		
Floor on basic non-oil primary budget balance	PC	●
Ceiling on net domestic financing to the central government	PC	●
Continuous Performance Criteria		
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government	PC	●
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government	PC	●
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries	PC	●
Indicative Targets		
Floor on non-oil revenues	IT	●
Floor for social and poverty-reducing spending	IT	⬢
Ceiling on disbursements of external loans for investment projects	IT	●
Ceiling on new concessional external debt contracted or guaranteed by the central government	IT	●
Floor on repayment of domestic arrears accumulated by the central government	IT	●

Met ●   Not Met ⬢

11. Program-supported reforms are advancing. The end-March 2022 structural benchmark (SB) on preparing a new public financial management (PFM) strategy and associated action plan was met. The other end-March 2022 SB was not met, although its most significant element in advancing governance reforms has been implemented. Namely, the new anti-corruption law was approved by Parliament in February and ratified in March—the law incorporates all key IMF recommendations. However, due to larger than expected capacity devoted to supporting approval of the law, publication of the accompanying decree on conflicts of interest was delayed and is proposed as a new end-July 2022 SB. IMF TA will be supporting its development.

POLICY DISCUSSIONS

Policies continue to be anchored in maintaining macroeconomic stability, reducing fragilities, and placing Congo onto a path of higher, more resilient, and inclusive growth—centered around economic diversification and resilience to climate change. Discussions focused on managing oil windfalls and the large uncertainties surrounding future oil prices and windfall projections.[1] *Part of the projected oil windfalls in 2022, which have only just started to materialize, will finance social assistance and tax deferrals to help households and businesses cope with rising inflation. During 2023-27, the scope will be expanded with part of the windfall financing broader social spending and domestic arrears payments. Remaining windfalls across all years will be saved to build buffers. With a view to maintaining debt sustainability, the non-oil fiscal balance will continue to be consolidated—with an emphasis on mobilizing non-oil revenues and reducing transfers to state-owned enterprises—and timely payment of external debt and domestic arrears will be critical. Strengthened management of debt, public investment, and public finances as well as stepped up reforms in the energy sector, governance, and supply-side structural reforms will be key to promoting medium-term non-oil growth. In all of these areas, strong development partners support will be important. The arrangement continues to (i) be supported by regional CEMAC efforts to maintain an appropriate monetary policy stance and promote financial sector stability; and (ii) contribute to the CEMAC's regional stability efforts by accumulating a material portion of the region's projected NFA during 2022–24.*

A. Fiscal Policy

12. Implementation of the 2022 budget prioritizes social and development spending while pursuing fiscal consolidation, facilitated by revenue mobilization and rationalization of non-priority spending (MEFP ¶10-12, 25). The 2022 non-oil primary deficit is projected at 15.3 percent of non-oil GDP (2 percent of non-oil GDP narrower than in 2021). Key fiscal measures in 2022 include:

- Improved non-oil revenues, supported by recovering non-oil economic activity, revenue-enhancing measures adopted over the past three years (e.g., electronic payments and broadening of the tax base), increased collection of tax arrears, expansion of the land tax base (e.g., land deeds are being reinforced and cadasters updated), reduced customs

[1] Oil windfalls are defined as oil revenues exceeding their projected amounts (in IMF Country Report 22/49) net of additional external debt payments exceeding their projected amounts (in IMF Country Report 22/49).

exemptions, and prohibiting tax incentives in forestry. Revenue gains from these measures will more than compensate revenue losses from retaining the 2021 reduction in the turnover tax (from 7 to 5 percent for small businesses with turnover under CFAF 100 million) and corporate tax rate (from 30 to 28 percent). Additional revenue gains (not incorporated in the projections) are expected from concluding negotiations with oil producers in 2022H2 on tax concessions.

- Oil windfalls will be saved as deposits at BEAC, except for financing the following measures to mitigate adverse effects of the Ukraine war (Box 1): (i) expanded reach of the targeted cash transfer program to help households cope with rising inflation (0.5 percent of non-oil GDP); and (ii) continuation of deferrals on certain tax and duty payments deferrals initiated during the pandemic to support businesses facing eroding profit margins (0.1 percent of non-oil GDP). In addition, previous years' low import taxes and customs duties on food will be maintained. Increased transfers to energy SOEs (the electricity company and oil refinery) due to higher fuel import bills will be offset by dividend advances from the SOE managing oil sector development, which is benefitting from higher export revenues. Consequently, net oil-related transfers will decline in line with savings from multi-year energy SOE reforms initiated in 2019.

- Social and development spending has been stepped up in line with the National Development Plan (NDP) 2022-26. Key areas include health care and sanitation, education, agriculture, and social assistance—all with a focus on improving quality and better targeting those most in need. Much of this spending is being supported by development partners, the ECF arrangement, and the 2021 SDR allocation. Already, about half of the 2021 SDR allocation was spent in 2022H1, spread across social and development projects and repayment of domestic social arrears (Text Table 2). More broadly, 75 percent of the budgeted 2022 domestic arrears payments will be allocated to paying pension funds (Table 7); and the remaining 25 percent will be applied to commercial arrears.

Text Table 2. Republic of Congo: Application of 2021 SDR Allocation,

(Percent of CFAF 56 billion spent during January–May 2022)[1]

Project Areas	55.0
Health care and sanitation	32.1
Education	5.8
Agriculture	4.5
Social assistance	3.6
Energy	3.1
Other social spending	5.9
Social Arrears	45.0
Pensions	38.4
Other	6.6

[1]The total 2021 SDR allocation is CFAF 120 billion.

- Pandemic-related goods and services spending has been reduced (relative to 2021) given low new case numbers (Box 2); and the wage bill contained. Spending overruns or revenue shortfalls will be compensated by delaying non-priority spending.

13. **Medium-term fiscal policy will aim to continue supporting spending necessary for higher, more resilient, and inclusive growth (as outlined in the NDP 2022–26) while safeguarding debt sustainability.** The non-oil primary deficit will be reduced from 17 to 13 percent

of non-oil GDP during 2021–27, largely based on a continuation of the strategy applied in 2022 (MEFP ¶12–13, 25–26):

- Increase collection of tax arrears by taking their inventory and assessing their probability of recovery (end-2022 SB). A newly established committee is preparing to initiate the collection process in mid-2022. On-going digitalization and automation of revenue administration will be instrumental in implementing effective procedures to monitor and systematically collect tax arrears.

- Broaden the tax base by applying the business census and customs reforms (supported by the World Bank), removing significant VAT exemptions, and streamlining other tax exemptions—based on a medium-term strategy and action plan, targeted for end-September 2022 that covers the analysis, publication, and budgetary implications of all tax exemptions. An analysis of corporate tax exemptions under current investment conventions will also be undertaken by end-2022, with a view to gradually phasing them out from 2023.

- Raise excise duties in line with CEMAC guidelines and gradually phase out pandemic-related deferrals of tax and customs duties.

- Accounting for capacity constraints, medium-term oil windfalls will finance 2.3 percent of non-oil GDP per year in social spending and domestic arrears payments; and the rest of the windfalls will be saved as deposits at BEAC. More broadly, a new domestic arrears repayment scheme is being formulated and will be implemented from 2023 with the aim of clearing all of these arrears by 2031 (and not accumulating any new arrears in the interim).

- Continued implementation of energy SOE reforms will further reduce transfers to these SOEs and improve transparency. Additionally, analysis of the financial status of all public enterprises is being undertaken to better understand fiscal risks and vulnerabilities.

14. Debt is assessed as "sustainable" though it is classified as "in distress" pending clearance of external commercial arrears (¶27 and DSA) owing to medium-term fiscal consolidation, steady debt and arrears payments, and recently concluded debt restructuring.

- This restructuring (spanning external commercial and official creditors) began in 2019 and ended with agreement with the remaining large external commercial creditor being finalized at end-January 2022.

- Overall, public debt is projected to decline from 104 to 67 percent of GDP between 2021 and 2027. In efforts to repay current arrears and avoid new arrears, the authorities have reached out to creditors to reconcile what is owed. In March 2022, as a result of this process, 2021 external debt (and overall public debt) was revised upward by 9 percent of GDP (DSA)—including official debt to Belgium, Brazil, China, and Saudi Arabia, and commercial debt to

Chinese companies, a supplier, and as part of the January 2022 debt restructuring agreement (mentioned above).[2]

- Risks from negative oil price shocks are largely mitigated by repayments to the largest external commercial creditors being tied to oil prices and the availability of financing from Congolese financial markets.

- Any refinancing of the principal of outstanding external public debt prior to maturity dates must result in an improvement of the paths of debt and debt service indicators applied in the DSA in order to be consistent with the ECF arrangement (TMU ¶10). For example, refinancing that results in the present value of debt-to-GDP consistently exceeding the relevant DSA threshold over the next 5-7 years would likely raise questions about the assessment of Congo's debt being sustainable and would not be consistent with the ECF arrangement.

B. Public Investment and Debt Management

15. Improved public investment management will be critical to implementing the NDP 2022–26 and advancing governance and debt management (MEFP ¶14–17). Accommodating large infrastructure needs requires better planning and spending efficiency. To this end, the authorities will develop (i) a medium-term public investment plan prioritizing projects based on cost-benefit analysis, the NDP, and international commitments (e.g., SDGs, CEMAC's regional economic program)—supported by IMF TA and training; and (ii) an action plan based on an on-going World Bank survey of efficiency in public investment. In parallel, a procurement template is being developed that will map to future budgets (end-June and end-December 2022 SBs). This will be critical to ending procurement outside the budget, fundamental to avoiding new arrears' accumulation and improving governance.

16. Efforts are underway to address systemic debt management challenges (MEFP ¶18–23). A comprehensive debt management strategy is being developed (end-July 2022 SB), supported by IMF TA. To ensure successful implementation of the new strategy (i) capacity and information sharing and coordination across relevant agencies must be enhanced; (ii) the organizational structure of the Caisse Congolaise d'Amortissement (CCA) reviewed; (iii) the single debt database must extend to all public debt; and (iv) a published borrowing plan should accompany every budget. To improve transparency, an annual debt report (including coverage of the 10 largest SOEs) will be published, beginning with the 2021 report (proposed end-March 2023 SB). All new external financing will be concessional (on a contracted basis) and debt will not be guaranteed with future natural resource deliveries. Staff urged the authorities not to draw on four non-concessional loans, totaling about $280 million, contracted prior to the initiation of the ECF arrangement. However, as

[2] External debt for 2019 and 2020 were also revised upwards by 3 and 4 percent of GDP, respectively. As reported in IMF Country Report 22/49, domestic debt for 2020 was revised upwards by about 10 percent of GDP (relative to IMF Country Report 21/225) owing to improved capacity.

the authorities indicated that they may draw on these loans, any drawings that take place should be consistent with program parameters.

17. Stepping up energy sector reforms will create fiscal space and reduce contingent liabilities (MEFP ¶24–27). An international audit firm is preparing a report reconciling realized government oil revenues during 2021 against provisions under production-sharing agreements—which will be published along with a table of mining, forestry, and oil concession holders (end-June 2022 SB). Oil revenues will be enhanced with a comprehensive review of the oil sector fiscal regime and action plan targeting implementation from 2023—supported by IMF TA. Measures will span the elimination of implicit oil sector VAT subsidies, improved VAT implementation, broadening of the VAT base, and full remittance of all VAT to the budget. Full payment of dividends by the SOE managing oil sector development will also be enforced. Over the medium term, oil-related budget transfers will be reduced, primarily by ensuring energy production costs (fuel, electricity) are reflected in their prices while protecting the most vulnerable with increased social assistance. Audits of all oil-related SOEs will continue to be regularly published.

C. Governance, Transparency, and Broader Structural Reforms

18. Public financial management (PFM) reforms are progressing (MEFP ¶28–29). A new medium-term PFM strategy is in place (¶11); budget execution is improving with the new committee monitoring and coordinating the cash flow plan against the commitment and treasury plan; and two modules of the new financial management information system (SIGFIP) are operational, with the remaining modules targeted for end-2022 (SB) to ensure adequate infrastructure, training, and linking of IT systems. The new organization of the Ministry of Finance will become fully functional in July 2022. The independence and capacity of the Court of Accounts and Budgetary Discipline will be strengthened with a new law expected in September 2022. Reforms to the Treasury Single Account (TSA) architecture are also advancing, with automatic transfer of natural resource sales revenue from public entities to the TSA expected by end-2022 and continued closure of central government and public entity accounts in commercial banks. A legal and regulatory framework for public private partnerships (PPPs) consistent with international best practice will be developed in 2023.

19. Maintaining momentum in other governance and transparency reforms will be critical to cementing recent gains (MEFP ¶30–35), including from the new anti-corruption law (¶11). An audit of pandemic-related procurement and expenditure during 2020–21 is underway (end-June 2022 SB); and the government is committed to publishing pandemic-related procurement contracts (with names and nationalities of beneficial owners of awarded legal persons) and ex-post reports on the delivery of pandemic-related procurement. The Commissions on Transparency and Anti-Corruption are operational but require more financing (from the budget and development partners) to carry out their mandates—including publication on the government website of all reports and statistics under their purview. The asset disclosure law will be enhanced, in consultation with the IMF, to further align with international best practices. A public register or cadaster system in the mining and forestry sectors (proposed end-March 2023 SB) will be established to improve natural resource management and support investigation of environmental crimes and associated money laundering. The AML/CFT regime will be strengthened, including by addressing recommendations from the

Mutual Action Report adopted at the Spring 2022 GABAC (Groupe d'Action contre le blanchiment d'Argent en Afrique Centrale) Plenary. To inform future reform efforts, with support from IMF TA, the authorities will assess progress in implementation of the recommendations from the 2018 governance diagnostic report on governance and corruption.

20. Financial sector resilience and access to finance are gradually being strengthened (MEFP ¶37). Domestic arrears' clearance is contributing to NPL reductions and supporting financial stability. A recently adopted law regulating factoring and leasing is anticipated to help raise access to finance and a road map to raise financial inclusion (developed in collaboration with BEAC and COBAC) is expected to be finalized in June. Complementing these reforms, the legal and judicial systems' ability to address financial litigation needs to be further strengthened.

PROGRAM MODALITIES AND OTHER ISSUES

21. Program financing. The program is fully financed for the next 12 months and good financing prospects for the duration of the program are in place, given substantial net financing needs through 2024 (Text Table 3)—including budget support from the World Bank, the AfDB, and France.

Text Table 3: Republic of Congo: Financing Needs and Sources, 2022–27

(Millions of U.S. dollars unless otherwise indicated)

	2022	2023	2024	2025	2026	2027
Financing Needs	**10888**	**10273**	**10614**	**9614**	**8769**	**8938**
Current Account Deficit (excl. grants and oil exports)	6847	7638	8356	8299	7631	7993
Amortization of PPG External Debt	1311	946	739	503	380	380
Other net financial flows	1677	980	853	38	194	100
Net Change in Reserves, excluding SDR drawdown	1053	709	666	775	564	465
Financing Sources	**10504**	**9894**	**10368**	**9614**	**8769**	**8938**
Oil Exports	9411	8788	9082	8304	7515	7585
Grants	26	26	80	101	112	124
Other Transfers	68	142	105	41	47	54
Project Loans (disbursement)	246	293	327	365	345	350
FDI	628	763	893	836	784	850
Use of SDR Allocation	221	0	0	0	0	0
Exceptional Financing	-96	-119	-119	-33	-33	-24
DSSI	-96	-119	-119	-33	-33	-24
Financing Gap[2]	384	379	246	0	0	0
Budget Support[1]	111	288	153	0	0	0
Prospective IMF ECF	272	92	92	0	0	0
Residual Gap	0	0	0	0	0	0
Memo items:						
Prospective IMF ECF						
(in percent of total donor inflows)	35	16	17	…	…	…
(in percent of budget support and prospective ECF financing)	71	24	38	…	…	…

Sources: BEAC; and IMF staff estimates and projections.

[1] Excludes project loans; and presents a minimum commitment.

[2] This financing gap matches that in Tables 2a and 4.

22. Modifications to the program and monitoring. Modification of the end-June 2022 QPCs on the government's non-oil primary balance and net domestic financing are proposed, reflecting, respectively, (i) part of the oil windfall will finance new measures mitigating adverse effects of the Ukraine war; and (ii) the rest of the oil windfall will be deposited at BEAC (¶12). Program performance will continue to be monitored through semi-annual program reviews based on periodic and continuous quantitative performance criteria (Table 12) and structural benchmarks (Table 13). Congo's large debt vulnerabilities continue to be addressed through setting conditionality on debt—including contracting of concessional and non-concessional debt, external debt, and accumulation of new external arrears. This conditionality is on a nominal basis owing to lack of capacity to record, monitor and report debt related statistics and complement fiscal conditionality, which, also due to data constraints, is limited to the central government.

23. Congo's capacity to repay the Fund is assessed to be adequate but subject to significant risks (Figure 2, Table 10). Under the baseline, total Fund credit outstanding (based on existing and prospective drawings) peaks at 220 percent of quota (SDR 356.4 million) and 3.1 percent of GDP in 2024. Debt service to the Fund peaks at 0.4 percent of GDP and 1.7 percent of revenues (excluding grants) in 2029 and 22.2 percent of total external debt service in 2030. The IMF's share of total external debt remains below 10 percent (Text Table 4). The most significant downside risk, among key risks in ¶9, is a substantial decline in oil prices that could trigger debt sustainability challenges. The most serious implementation risk is faltering commitment to governance reforms. Risks are mitigated by the authorities' strong track record of repaying the Fund, past implementation of nine Fund-supported programs, and policy measures envisaged in the program (including proposed SBs on debt management). The authorities' implementation capacity is good as demonstrated by recent fiscal discipline (including during the pandemic) and implementation of structural reforms even when the previous ECF arrangement went off-track. The post-Presidential election reform mandate will support continued progress in implementation capacity.

24. Statistical issues and capacity development (CD). Data provision is broadly adequate for program monitoring. CD is aligned with program objectives, prioritizing tax policy and administration, PFM reforms, and debt management; statistics—where further progress is needed in national accounts, monetary, fiscal, external sector, debt and high-frequency statistics; and the anti-corruption framework and its operationalization. Congo is a medium-intensity user of Fund TA with a mixed implementation record.

25. An update safeguards assessment of BEAC was completed in 2022. Findings indicate that the BEAC has maintained strong governance arrangements following legal reforms in 2017. BEAC also completed its multi-year initiative in 2019 to transition to International Financial Reporting Standards, strengthening its financial reporting practices. The external audit arrangements continue to be robust. Nonetheless, the internal audit mechanism faces capacity constraints and is not yet fully aligned to international practices. BEAC also needs to strengthen its risk management, and develop a business continuity plan and cyber resilience.

Text Table 4. Republic of Congo: External Debt, 2022–32

(Millions of U.S. dollars unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Senior Debt	**2516**	**2569**	**2545**	**2471**	**2514**	**2537**	**2554**	**2508**	**2465**	**2415**	**2382**
Multilateral	1524	2081	2392	2471	2514	2537	2554	2508	2465	2415	2382
IMF	315	411	508	502	501	472	458	438	433	428	424
Non-IMF	1209	1670	1884	1969	2013	2065	2096	2070	2032	1986	1959
Private Collateralized Debt (Oil-prepurchasec	991	488	154	0	0	0	0	0	0	0	0
Non-Senior Debt	**3857**	**3453**	**3169**	**2965**	**2771**	**2422**	**2316**	**2272**	**2236**	**2191**	**2143**
Official bilateral	2807	2514	2315	2191	2112	2037	2000	1974	1938	1893	1845
Paris Club	365	316	264	275	289	264	245	228	208	181	148
Brazil	92	86	79	73	70	66	63	59	52	48	43
Belgium	130	106	81	63	45	31	22	17	17	17	17
France	111	103	91	133	175	167	160	152	139	117	88
Russia	29	21	13	6	0	0	0	0	0	0	0
Switzerland	3	0	0	0	0	0	0	0	0	0	0
Non-Paris Club	2442	2198	2051	1916	1822	1773	1755	1746	1730	1712	1698
China	1998	1783	1667	1554	1481	1448	1437	1435	1425	1411	1399
India	105	90	74	59	48	41	36	31	27	25	25
Kuwait	55	56	56	57	56	54	52	49	47	45	43
Turkey	62	45	29	19	9	0	0	0	0	0	0
Others	103	104	104	105	106	106	107	107	107	107	107
Pre-HIPC arrears (not restructured)	119	120	121	122	123	124	124	124	124	124	124
Private Creditors	**1051**	**939**	**855**	**775**	**659**	**384**	**316**	**298**	**298**	**298**	**298**
Chinese companies	396	350	304	256	208	0	0	0	0	0	0
London Club (eurobond)	214	189	163	133	97	62	26	8	8	8	8
Afreximbank	52	11	0	0	0	0	0	0	0	0	0
Suppliers	389	389	387	385	354	323	290	290	290	290	290
Total	**6373**	**6021**	**5715**	**5437**	**5285**	**4959**	**4870**	**4780**	**4700**	**4606**	**4525**
o/w Multilateral	1524	2081	2392	2471	2514	2537	2554	2508	2465	2415	2382
o/w Official Bilateral	2807	2514	2315	2191	2112	2037	2000	1974	1938	1893	1845
o/w Private	2042	1427	1008	775	659	384	316	298	298	298	298
Shares											
IMF (in percent of Multilateral)	20.7	19.8	21.2	20.3	19.9	18.6	17.9	17.5	17.6	17.7	17.8
IMF (in percent Total)	4.9	6.8	8.9	9.2	9.5	9.5	9.4	9.2	9.2	9.3	9.4
Multilateral (in percent Total)	23.9	34.6	41.9	45.5	47.6	51.2	52.4	52.5	52.4	52.4	52.6
Official (in percent Total)	44.0	41.7	40.5	40.3	40.0	41.1	41.1	41.3	41.2	41.1	40.8
Private (in percent Total)	16.5	15.6	15.0	14.2	12.5	7.8	6.5	6.2	6.3	6.5	6.6

Sources: Congolese authorities; and IMF staff estimates.

26. Regional assurances. BEAC has provided updated policy assurances in support of CEMAC countries' Fund-supported programs. While the end-December 2021 regional policy assurance on NFA was not implemented, the deviation was temporary and the relevant target was reached in early January 2022. In its follow-up letter of policy support of June 2022, BEAC reiterated its commitment to maintaining an appropriate monetary policy stance, together with member states implementing fiscal adjustment agreed in the context of IMF-supported programs, to support external reserves build-up. As part of measures to support the reserve position, it has (i) raised the policy rate (TIAO) and marginal lending facility by 50 basis points in March 2022 to help contain higher inflationary pressures; (ii) increased the interest rate on the liquidity absorption window by 25 basis points in February 2022 to reduce the excess liquidity, stimulate the interbank market, and improve monetary policy transmission; and (iii) reduced weekly liquidity injections to 180 billion in March 2022. BEAC will also continue to work towards effective application of the foreign exchange regulation, including by implementing the recently agreed adaptations for the extractive sector from 2022. The regional assurances on regional NFA are critical for the success of Congo's Fund-supported program and will help bolster the region's external sustainability.

27. External arrears.

- Agreements have been concluded on arrears payments to Abu Dhabi, Belgium (not covered under the DSSI), Libya, and Switzerland. Agreements in principle have been reached on arrears payments (not covered by the DSSI) to Brazil[3] and Russia. The authorities are resolving arrears owed to India's Exim Bank ($31 million, not covered by the DSSI).
- The authorities are engaged in the resolution of external commercial arrears owed to Chinese companies ($107 million) and across 10 suppliers ($19 million); and have requested HIPC treatment for a separate set of pre-HIPC arrears ($96 million).
- A financing assurances review has been undertaken and will continue to be conducted at each review of the ECF-supported program until external commercial arrears are cleared.
- The authorities contest $275 million of arrears owed to a supplier as part of a broader litigation case.[4]

STAFF APPRAISAL

28. The outlook is positive but remains fragile amid the on-going pandemic, the Ukraine war's ripple effects, and substantial risks of oil price declines. High oil prices and production are supporting this year's economic rebound. However, high inflation brought on by the Ukraine war is weighing on households and businesses, who are still struggling with the pandemic's human and economic toll over the past two years. Consequently, food insecurity and poverty are rising, against a backdrop of climate change challenges and prospects of shrinking global oil demand following the expected global transition to low-carbon economies. Under these conditions, ensuring strong medium-term growth and exiting fragility will require accelerated economic diversification targeting job-creation, inclusiveness, and resilience.

29. Revenue mobilization and rationalization of non-priority spending will allow for substantial increases in social and development spending, including related infrastructure, while preserving debt sustainability. Continued reforms resulting in reduced transfers to energy SOEs and revenue mobilization will be fundamental to the success of this strategy. Key revenue measures span both the non-oil and oil sectors, including streamlining tax exemptions, broadening the tax base, and increasing tax arrears collection. The strategy is also benefitting from oil windfalls, part of which will finance (i) targeted cash transfers and tax deferrals to help households and businesses cope with rising inflation in 2022 (ii) broader social spending and domestic arrears

[3] The Brazilian authorities have provided consent for the provision of Fund financing notwithstanding official arrears.

[4] The authorities continue to dispute this external claim to a foreign construction company (Commisimpex) as part of a series of litigation cases between the two parties. Claims that are disputed do not give rise to arrears for the purposes of the application of the Fund's arrears policies or for performance criteria covering arrears.

payments in 2023-27; and (iii) increased debt service to the two largest external commercial creditors as it is tied to oil prices. Saving remaining windfalls will build buffers against future shocks in a highly uncertain global environment. Progress in PFM reforms, including cash management and TSA reforms, will be critical to effective and transparent budget execution.

30. Strengthened public investment and debt management will enhance governance and implementation of social and development spending. Improved planning and spending efficiency can raise implementation quality and capacity, beginning with a medium-term public investment plan that systematically prioritizes projects based on cost-benefit analysis and development objectives. Complementing these reforms, procurement outside the budget must be stopped. This, along with a comprehensive debt management strategy and accompanying capacity and data reforms, are needed to ensure effective recording of debt, reduce debt costs, ensure timely debt service, and control arrears accumulation. Elimination of domestic arrears will also benefit financial sector stability, through reduced NPLs—the freed liquidity coupled with financial inclusion reforms will raise access to finance. Publication of the annual debt report (including SOE coverage) and continued energy sector reforms would advance management of fiscal risks, governance, and transparency. Staff strongly cautions against undertaking any debt refinancing that could jeopardize the assessment of Congo's debt as being sustainable and that would not be in line with the goals and parameters of the ECF-supported program.

31. Cementing gains from recent anti-corruption and transparency reforms will be fundamental to improving the business environment. The new anti-corruption law is a significant milestone. Critical next steps will be ensuring sufficient financing for the Commissions on Anti-Corruption and Transparency, enhancing conflict of interest regulations, and the asset disclosure law, establishing a public register in mining and forestry to help address environmental crimes and associated money laundering, and assess progress against the 2018 governance diagnostic report in order to inform the way forward.

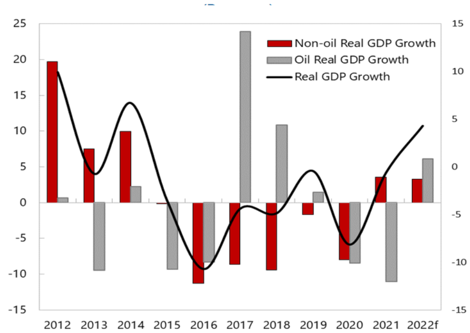
32. Based on the strength of the authorities' program, the implementation, albeit with delay, of the end-December 2021 regional policy assurance and regional policy assurances established in the June 2022 union-wide paper, staff supports the completion of the first review under the ECF arrangement and the request for modification of end-June 2022 performance criteria for the government's non-oil primary balance and net domestic financing. Staff proposes completion of the financing assurances review. Staff proposes that completion of the second review under the ECF arrangement be conditional on the implementation of critical policy assurances at the union level established in the June 2022 union-wide background paper.

Figure 1. Republic of Congo: Recent Economic Developments, 2012–22

Non-oil GDP is slowly recovering after a severe pandemic-related contraction in 2020.

Real GDP Growth

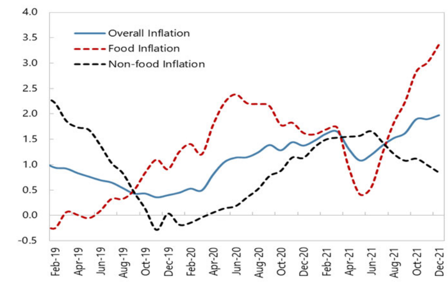
(Percent)



Headline inflation is rising, driven by growing food inflation.

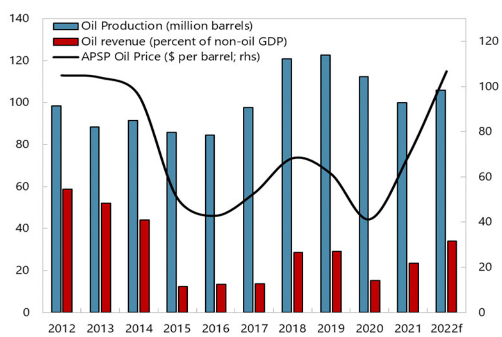
Inflation

(Average y/y % Change)



Oil production is expected to recover after dipping in 2021 due to lower investment during the pandemic…

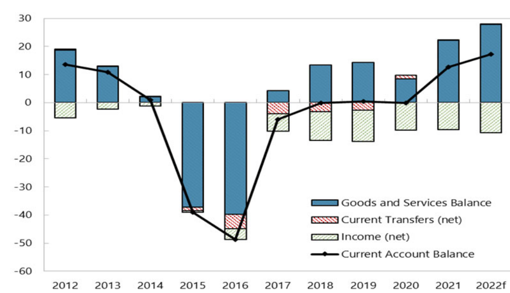
Oil



…and, combined with higher oil prices, the current account is expected to improve accordingly.

Balance of Payments

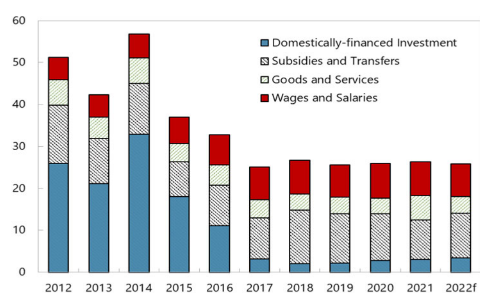
(Percent of GDP)



Public spending has declined in recent years compared to 2012–16…

Public Spending

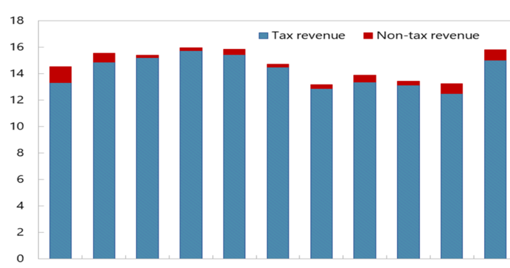
(Percent of Non-oil GDP)



…as have non-oil revenues.

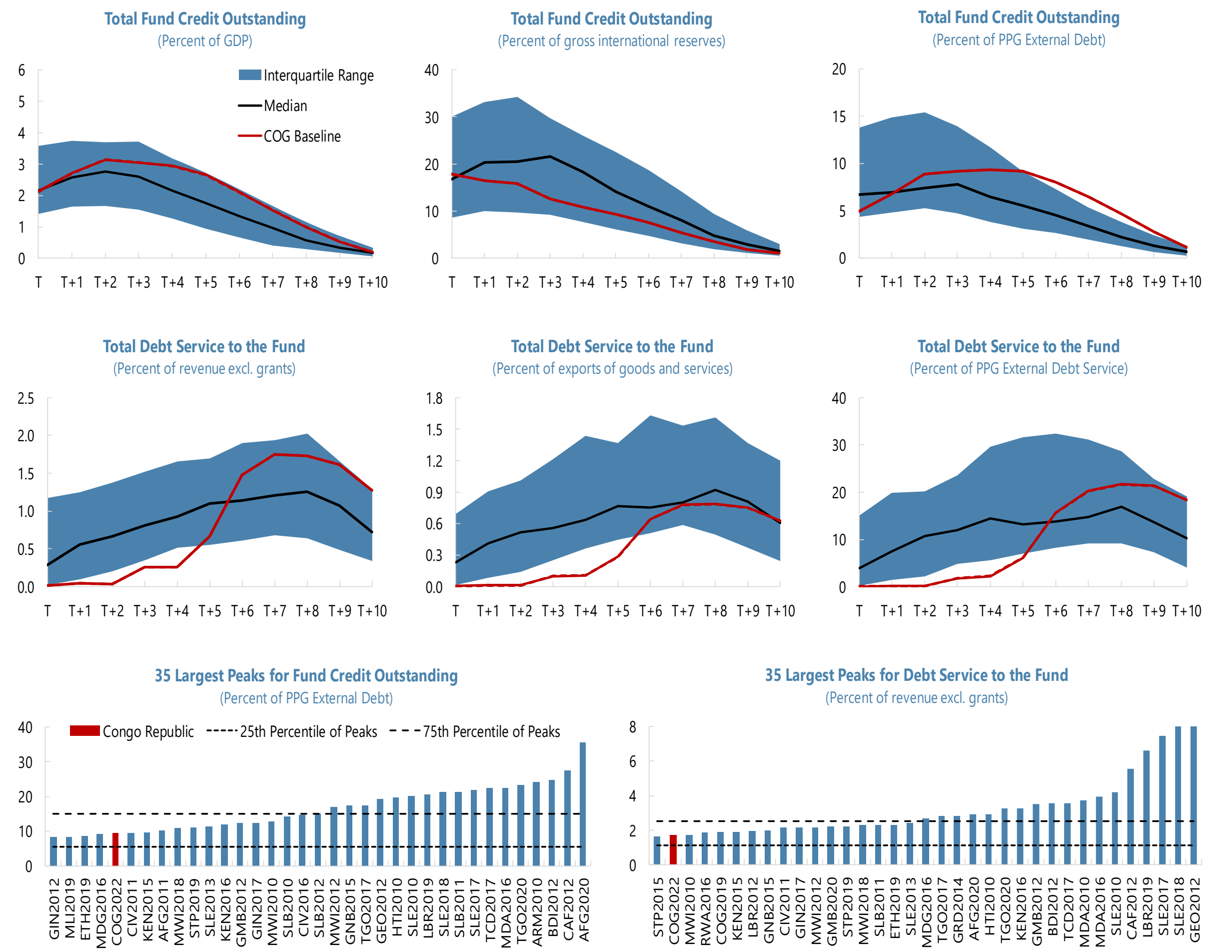
Non-Oil Revenue

(Percent of Non-oil GDP)



Sources: Congolese Authorities and IMF Staff Estimates and Projections

Figure 2. Republic of Congo: Fund Credit Outstanding and External Debt Service Compared to PRGT UCT-Quality Arrangements [1,2,3,4,5]



Sources: Staff reports, IMF Financial Data Query Tool; and FIN staff calculations.

[1] The interquartile ranges and median are based on all PRGT arrangements (including blends) for the control group between 2010 and 2020.

[2] Countries with multiple arrangements are entered as separate events in the database.

[3] Period T refers to the year in which the arrangement was approved (control group) or the year in which the arrangement was requested (country of interest).

[4] PPG refers to public and publicly guaranteed.

[5] For Congo Republic, gross international reserves are imputed official reserves.

Table 1. Republic of Congo: Selected Economic and Financial Indicator, 2020–27

	2020	2021	2022 Prog.	2022	2023	2024	2025	2026	2027
	Est.	Prel.	IMF CR 22/49			Proj.			
	(Annual percentage change unless otherwise indicated)								
Production and prices									
GDP at constant prices	-8.1	-0.6	2.4	4.3	4.6	7.1	1.7	0.6	3.5
Oil	-8.4	-11.0	1.0	6.1	5.4	11.5	-2.4	-7.1	0.2
Non-oil	-8.0	3.6	3.3	3.3	3.9	4.0	4.5	5.0	5.0
GDP at current prices	-20.8	18.0	3.3	24.5	0.4	4.9	1.0	1.5	4.6
GDP deflator	-13.8	18.7	0.8	19.3	-4.0	-2.0	-0.7	0.8	1.1
Non-oil	1.8	1.8	2.8	3.6	3.2	3.0	3.0	3.0	3.0
Consumer prices (period average)	1.4	2.0	2.7	3.5	3.2	3.0	3.0	3.0	3.0
Consumer prices (end of period)	0.6	1.5	3.0	3.5	3.2	3.0	3.0	3.0	3.0
External sector									
Exports, f.o.b.	-36.2	42.4	0.5	47.7	-6.8	2.1	-7.0	-6.4	2.4
Imports, f.o.b.	-25.3	12.1	13.5	43.6	8.5	6.8	0.5	-1.2	7.1
Export volume	-2.2	5.2	2.5	3.9	1.9	6.7	2.1	4.9	8.2
Import volume	-18.9	-14.5	14.7	13.9	11.4	11.8	3.7	-3.0	7.2
Terms of trade (deterioration -)	-26.7	4.2	-0.8	16.2	-5.9	0.2	-5.8	-12.6	-5.4
Current account balance (percent of GDP)	-0.1	12.6	5.5	17.2	7.9	4.6	0.3	-0.4	-2.0
Net foreign assets	-8.0	-37.9	-7.5	119.2	59.2	34.2	34.5	18.4	13.5
External public debt (percent of GDP)	66.3	59.1	46.0	42.9	38.7	34.3	32.1	30.4	28.0
Monetary sector									
Broad money	18.0	5.9	10.8	19.2	13.9	11.6	13.9	15.7	12.0
Credit to the private sector	3.5	9.6	4.1	4.6	4.8	5.7	6.0	6.4	7.1
	(Percent of GDP)								
Investment and saving									
Gross national saving	22.5	33.6	29.3	41.1	33.7	30.6	27.3	27.0	25.4
Gross investment	22.6	21.0	23.8	23.9	25.7	25.9	27.0	27.4	27.4
	(Percent of non-oil GDP, unless otherwise indicated)								
Central government finances									
Total revenue	31.1	37.4	39.8	50.5	46.7	45.1	41.2	37.7	37.3
Oil revenue	15.3	23.4	23.2	33.9	29.2	27.8	23.5	19.5	18.7
Nonoil revenue (including grants)	15.8	14.0	16.6	16.6	17.6	17.3	17.7	18.1	18.5
Total expenditure and net lending	32.8	34.7	35.5	35.6	38.0	36.8	37.3	36.1	35.2
Current	27.8	29.6	28.2	28.5	29.4	28.3	28.3	27.2	26.2
Capital (and net lending)	5.0	5.1	7.3	7.2	8.6	8.5	9.1	8.8	9.1
Overall balance (deficit -, payment order basis)	-1.7	2.7	4.3	14.9	8.7	8.4	3.8	1.6	2.0
Overall balance (deficit -, payment order basis, percent of GDP)	-1.2	1.7	2.7	8.2	5.1	5.0	2.5	1.1	1.4
Non-oil primary balance (- = deficit)	-15.2	-17.3	-15.7	-15.3	-16.1	-15.4	-15.8	-14.1	-13.1
Basic primary fiscal balance (- = deficit)[1]	0.2	6.1	7.5	18.6	13.1	12.5	7.7	5.5	5.6
Basic non-oil primary balance (- = deficit) [2]	-15.3	-16.0	-12.7	-12.3	-12.8	-12.0	-12.3	-11.1	-10.3
Reference fiscal balance (percent of GDP)[3]	2.6	-0.9	-1.2	-1.2	-1.9	0.4	0.9	0.3	-0.5
Primary balance (percent of GDP)	0.1	3.9	4.8	10.2	7.7	7.5	4.9	3.7	3.9
Financing gap (in percent of GDP)	0.0	0.0	3.1	2.6	2.5	1.5	0.0	0.0	0.0
Total public debt (percent of GDP)[4]	114.0	103.6	89.3	84.4	78.9	71.8	70.4	69.4	66.5
	(Percent of total government revenue excluding grants)								
External public debt service	42.3	33.1	33.4	38.9	29.6	22.7	15.0	11.9	10.8
	(Billions of CFA francs, unless otherwise indicated)								
Nominal GDP	5,937	7,006	7,189	8,721	8,755	9,184	9,277	9,414	9,844
Nominal oil GDP	1,692	2,528	2,550	3,929	3,617	3,680	3,353	3,007	2,914
Nominal non-oil GDP	4,245	4,478	4,639	4,792	5,138	5,504	5,924	6,407	6,930
Nominal GDP in US$ (millions)	10,330	12,641	13,235	14,989	15,243	16,174	16,500	16,876	17,735
Congolese oil price (U.S. dollars per barrel)	39	68	64	96	85	78	74	72	70
Brent Price (U.S dollars per barrel)	42	70	66	111	96	87	81	78	75
Oil production (Millions of barrels)	112	100	110	106	112	125	122	113	113
Nominal Exchange rate (CFA/USD, period average)	575	554	...	...	...	...	...	...	...
REER (percentage change)	6.5	...	...	...	...	...	...	...	...

Sources: Congolese authorities; and IMF staff estimates and projections.

[1] Revenue excluding grants minus total expenditures (excluding interest payments and foreign-financed public investment).

[2] Non oil revenue excluding grants minus total expenditures excluding interest payments and foreign-financed investment.

[3] Overall balance minus 20 percent of oil revenues and minus 80 percent of the oil revenue in excess of the average observed during the three previous years.

[4] The 2020-21 stock of debt has been revised upward relative to IMF Country Report No. 22/49 to reflect debt reconciliation exercises with bilateral official and private external creditors.

Table 2a. Republic of Congo: Central Government Operations, 2020–27

	2020	2021	2021	2022	2022 Prog.	2022	2023	2024	2025	2026	2027
	Est.	Rev. Budget	Prel.	Budge	IMF CR 22/49			Proj.			
Total Revenue and Grants	1,320	1,582	1,674	1,836	1,847	2,421	2,401	2,485	2,440	2,415	2,583
Revenue	1,221	1,567	1,642	1,799	1,809	2,383	2,337	2,439	2,383	2,353	2,514
Oil revenue	651	950	1,049	1,060	1,076	1,625	1,499	1,531	1,390	1,252	1,299
of which: repayment of oil-prepurchased debt	82	...	97	...	77	79	93	80	101	79	79
Non-oil revenue	570	617	593	739	734	758	839	908	993	1,100	1,215
Direct taxes	200	202	201	282	267	290	317	347	381	422	466
Taxes on goods and services	255	268	244	295	305	288	319	347	381	421	466
Customs Receipts	103	110	114	124	124	141	158	169	182	207	230
Non-tax revenue	12	36	34	38	38	38	44	45	48	50	53
Grants	100	15	32	37	37	39	64	45	57	62	69
Expenditure and Net Lending	1,393	1,451	1,553	1,661	1,649	1,707	1,954	2,025	2,212	2,310	2,442
Current expenditure	1,179	1,179	1,326	1,332	1,309	1,364	1,511	1,557	1,674	1,744	1,814
Wages	352	370	359	379	379	379	406	435	469	507	548
Other primary current expenditure	688	637	780	739	739	764	838	853	932	948	985
Goods and services	157	143	265	187	190	190	209	216	248	258	278
Transfers	473	432	421	487	487	511	564	571	615	619	644
Social Transfers (Lisungi, COVID-19 and others)	80	92	92	186	104	127	162	155	174	190	206
Oil-related transfers	82	...	97	77	77	79	93	80	101	79	79
Other transfers	311	...	232	224	306	305	309	336	341	350	360
Common charges	58	62	94	65	62	63	65	67	69	71	63
Annex budgets and special Accounts[1]	60	42	35	42	42	42	43	43	45	44	33
Interest	80	130	153	172	148	179	224	226	229	246	248
Domestic	35	...	75	...	58	71	145	160	173	195	201
External	45	...	77	...	90	108	79	66	56	50	47
of which: COVID-19 Moratorium Loan (interest)	0	...	2	...	2	3	3	2	1	1	0
of which: on oil-prepurchased debt	2	...	22	...	48	29	18	8	2	0	0
Capital expenditure	214	272	227	329	340	343	443	468	538	565	628
Domestically financed	119	147	136	161	161	161	210	237	275	311	366
Externally financed	95	124	91	168	179	182	233	231	262	255	263
Non-oil primary balance[2]	-644	-689	-775	-713	-730	-731	-827	-845	-933	-901	-911
Basic non-oil primary balance[3]	-649	-580	-717	-582	-588	-588	-659	-660	-728	-709	-717
— excluding oil-related transfers[4]	-566	-580	-620	-582	-511	-510	-565	-580	-627	-630	-638
Primary balance	7	261	274	347	346	893	672	686	457	351	388
Overall balance, payment order basis											
Excluding grants	-172	116	89	138	160	676	383	414	171	43	72
Including grants	-73	131	121	175	198	714	448	460	228	105	140
Overall balance, cash basis	-44	131	121	175	198	714	448	460	228	105	140
Financing	44	-131	-121	-583	-421	-937	-666	-599	-228	-105	-140
Foreign (net)	48	-241	-330	-310	-373	-676	-443	-301	-96	-38	-30
Drawings	76	109	79	131	142	143	168	186	205	192	194
COVID-19 Moratorium Loan	152	...	90	...	0	0	0	0	0	0	0
Amortization (paid)	-471	-351	-421	-441	-515	-819	-612	-487	-301	-231	-224
of which: COVID-19 Moratorium Loan (principal and interes	0	...	0	...	52	57	70	69	18	18	18
of which: on oil-prepurchased debt	-18	...	-122	...	-239	-336	-295	-192	-58	0	0
Other foreign financing	82	...	-79	...	0	0	0	0	0	0	0
Domestic (net)	-5	110	210	-273	-48	-262	-222	-298	-132	-67	-110
Banking system (net)	318	427	448	119	103	72	-62	-198	-56	180	130
Central bank	113	33	26	119	55	-166	-266	-269	-290	-220	-253
of which: Use of SDR Allocations	...	...	33	...	120	120	...	...	...	...	
Commercial banks[5]	206	394	422	...	48	237	204	71	234	401	383
Nonbank financing[5]	-323	-317	-239	-392	-151	-334	-160	-99	-76	-247	-240
Of which: Repayment of domestic arrears	-203	-128	-314	...	-201	-402	-211	-209	-155	-146	-133
Financing gap (- = surplus)	0	0	0	408	223	223	218	139	0	0	0
Expected financing (excluding IMF)	0	0	0	...	71	65	165	87	0	0	0
IMF-ECF	0	0	0	...	152	158	53	53	0	0	0
Residual financing gap	0	...	0	...	0	0	0	0	0	0	0
Memorandum items:											
Stock of domestic arrears[6]	1,358	...	1,014	...	1,333	1,250	934	677	492	322	185
Stock of government deposits	98	...	219	...	88	386	654	924	1,189	1,387	1,602
CEMAC Reference fiscal balance[7]	152	...	-60	...	-87	-106	-164	41	79	32	-45
GDP at current market prices	5,937	7,006	7,006	8,721	7,189	8,721	8,755	9,184	9,277	9,414	9,844
Non-oil GDP at market prices	4,245	4,478	4,478	4,792	4,639	4,792	5,138	5,504	5,924	6,407	6,930

Sources: Congolese authorities; and IMF staff estimates and projections.

[1] Includes net spending (i.e. spending minus revenues) associated with decentralized government entities.

[2] Revenue and grants excluding oil revenues minus total primary expenditures (excluding interest payments).

[3] Non oil revenue excluding grants minus total expenditures excluding interest payments and foreign-financed investment.

[4] Basic non-oil primary balance minus oil revenue and oil-related transfers.

[5] Include resident and non-resident creditors from the CEMAC region.

[6] Includes estimates of domestic arrears audited by the the Caisse Congolaise d'Amortisation (CCA) and reported but not yet audited arrears.

[7] CEMAC definition: overall balance minus 20 percent of oil revenues and minus 80 percent of the oil revenue in excess of the average observed during the three previous years.

Table 2b. Republic of Congo: Central Government Operations, 2020–27

(Percent of non-oil GDP)

	2020	2021	2021	2022	2022 Prog.	2022	2023	2024	2025	2026	2027
	Est.	Rev. Budget	Prel.	Budget	IMF CR 22/49			Proj.			
Total Revenue and Grants	31.1	35.3	37.4	38.3	39.8	50.5	46.7	45.1	41.2	37.7	37.3
Revenue	28.8	35.0	36.7	37.5	39.0	49.7	45.5	44.3	40.2	36.7	36.3
Oil revenue	15.3	21.2	23.4	22.1	23.2	33.9	29.2	27.8	23.5	19.5	18.7
of which: repayment of oil-prepurchased debt	1.9	...	2.2	0.0	1.7	1.6	1.8	1.4	1.7	1.2	*1.1*
Non-oil revenue	13.4	13.8	13.2	15.4	15.8	15.8	16.3	16.5	16.8	17.2	17.5
Direct taxes	4.7	4.5	4.5	5.9	5.8	6.1	6.2	6.3	6.4	6.6	6.7
Taxes on goods and services	6.0	6.0	5.5	6.2	6.6	6.0	6.2	6.3	6.4	6.6	6.7
Customs receipts	2.4	2.5	2.5	2.6	2.7	3.0	3.1	3.1	3.1	3.2	3.3
Non-tax revenue	0.3	0.8	0.8	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.8
Grants	2.3	0.3	0.7	0.8	0.8	0.8	1.3	0.8	1.0	1.0	1.0
Expenditure and Net Lending	32.8	32.4	34.7	34.7	35.5	35.6	38.0	36.8	37.3	36.1	35.2
Current expenditure	27.8	26.3	29.6	27.8	28.2	28.5	29.4	28.3	28.3	27.2	26.2
Wages	8.3	8.3	8.0	7.9	8.2	7.9	7.9	7.9	7.9	7.9	7.9
Other primary current expenditure	16.2	14.2	17.4	15.4	15.9	15.9	16.3	15.5	15.7	14.8	14.2
Goods and services	3.7	3.2	5.9	3.9	4.1	4.0	4.1	3.9	4.2	4.0	4.0
Transfers	11.2	9.6	9.4	10.2	10.5	10.7	11.0	10.4	10.4	9.7	9.3
Social Transfers (Lisungi, COVID-19 and others)	1.9	2.0	2.0	3.9	2.2	2.7	3.1	2.8	2.9	3.0	3.0
Oil-related transfers	1.9	...	2.2	1.6	1.7	1.6	1.8	1.4	1.7	1.2	1.1
Other transfers	7.3	...	5.2	4.7	6.6	6.4	6.0	6.1	5.7	5.5	5.2
Common charges	1.4	1.4	2.1	1.4	1.3	1.3	1.3	1.2	1.2	1.1	0.9
Annex budgets and special Accounts[1]	1.4	0.9	0.8	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.5
Interest	1.9	2.9	3.4	3.6	3.2	3.7	4.4	4.1	3.9	3.8	3.6
Domestic	0.8	...	1.7	0.0	1.3	1.5	2.8	2.9	2.9	3.0	2.9
External	1.1	...	1.7	0.0	1.9	2.3	1.5	1.2	0.9	0.8	0.7
of which: COVID-19 Moratorium Loan (interest)	0.0	...	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0
of which: on oil-prepurchased debt	0.0	...	0.5	0.0	1.0	0.6	0.3	0.2	0.0	0.0	0.0
Capital expenditure	5.0	6.1	5.1	6.9	7.3	7.2	8.6	8.5	9.1	8.8	9.1
Domestically financed	2.8	3.3	3.0	3.4	3.5	3.4	4.1	4.3	4.6	4.9	5.3
Externally financed	2.2	2.8	2.0	3.5	3.9	3.8	4.5	4.2	4.4	4.0	3.8
Non-oil primary balance[2]	-15.2	-15.4	-17.3	-14.9	-15.7	-15.3	-16.1	-15.4	-15.8	-14.1	-13.1
Basic non-oil primary balance[3]	-15.3	-12.9	-16.0	-12.1	-12.7	-12.3	-12.8	-12.0	-12.3	-11.1	-10.3
— excluding oil-related transfers[4]	-13.3	-12.9	-13.8	-12.1	-11.0	-10.6	-11.0	-10.5	-10.6	-9.8	-9.2
Primary balance	0.2	5.8	6.1	7.2	7.5	18.6	13.1	12.5	7.7	5.5	5.6
Overall balance, payment order basis											
Excluding grants	-4.1	2.6	2.0	2.9	3.5	14.1	7.5	7.5	2.9	0.7	1.0
Including grants	-1.7	2.9	2.7	3.6	4.3	14.9	8.7	8.4	3.8	1.6	2.0
Overall balance, cash basis	-1.0	2.9	2.7	3.6	4.3	14.9	8.7	8.4	3.8	1.6	2.0
Financing	1.0	-2.9	-2.7	-12.2	-9.1	-19.6	-13.0	-10.9	-3.8	-1.6	-2.0
Foreign (net)	1.1	-5.4	-7.4	-6.5	-8.0	-14.1	-8.6	-5.5	-1.6	-0.6	-0.4
Drawings	1.8	2.4	1.8	2.7	3.1	3.0	3.3	3.4	3.5	3.0	2.8
COVID-19 Moratorium Loan	3.6	...	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (paid)	-11.1	-7.8	-9.4	-9.2	-11.1	-17.1	-11.9	-8.8	-5.1	-3.6	-3.2
of which: COVID-19 Moratorium Loan (principal and interes	0.0	...	0.0	0.0	1.1	1.2	1.4	1.2	0.3	0.3	0.3
of which: on oil-prepurchased debt	-0.4	...	-2.7	0.0	-5.1	-7.0	-5.7	-3.5	-1.0	0.0	0.0
Other foreign financing	1.9	...	-1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	-0.1	2.5	4.7	-5.7	-1.0	-5.5	-4.3	-5.4	-2.2	-1.0	-1.6
Banking system (net)	7.5	9.5	10.0	2.5	2.2	1.5	-1.2	-3.6	-0.9	2.8	1.9
Central bank	2.7	0.7	0.6	2.5	1.2	-3.5	-5.2	-4.9	-4.9	-3.4	-3.6
of which Use of SDR Allocations	...	...	0.7	...	2.6	2.5	...	...	...	...	...
Commercial banks[5]	4.8	8.8	9.4	0.0	1.0	5.0	4.0	1.3	4.0	6.3	5.5
Nonbank financing[5]	-7.6	-7.1	-5.3	-8.2	-3.3	-7.0	-3.1	-1.8	-1.3	-3.9	-3.5
Of which: Repayment of domestic arrears	-4.8	-2.9	-7.0	0.0	-4.3	-8.4	-4.1	-3.8	-2.6	-2.3	-1.9
Financing gap (- = surplus)	0.0	0.0	0.0	8.5	4.8	4.7	4.2	2.5	0.0	0.0	--
Expected financing (excluding IMF)	0.0	0.0	0.0	...	1.5	1.3	3.2	1.6	0.0	0.0	0.0
IMF-ECF	0.0	0.0	0.0	...	3.3	3.3	1.0	1.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Stock of domestic arrears[6]	32.0	...	22.7	...	28.7	26.1	18.2	12.3	8.3	5.0	2.7
Stock of government deposits	2.3	...	4.9	...	1.9	8.1	12.7	16.8	20.1	21.7	23.1
CEMAC Reference fiscal balance[7]	3.6	...	-1.3	...	-1.9	-2.2	-3.2	0.7	1.3	0.5	-0.7
GDP at current market prices (CFAF billion)	5,937	7,006	7,006	8,721	7,189	8,721	8,755	9,184	9,277	9,414	9,843.9
Non-oil GDP at market prices (CFAF billion)	4,245	4,478	4,478	4,792	4,639	4,792	5,138	5,504	5,924	6,407	6,930

Sources: Congolese authorities; and IMF staff estimates and projections.

[1] Includes net spending (i.e. spending minus revenues) associated with decentralized government entities.

[2] Revenue and grants excluding oil revenues minus total primary expenditures (excluding interest payments).

[3] Non oil revenue excluding grants minus total expenditures excluding interest payments and foreign-financed investment.

[4] Basic non-oil primary balance minus oil revenue and oil-related transfers.

[5] Include resident and non-resident creditors from the CEMAC region.

[6] Includes estimates of domestic arrears audited by the the Caisse Congolaise d'Amortisation (CCA) and reported but not yet audited arrears.

[7] CEMAC definition: overall balance minus 20 percent of oil revenues and minus 80 percent of the oil revenue in excess of the average observed during the three previous years.

Table 2c. Republic of Congo: Central Government Operations, 2020–27

(Percent of GDP)

	2020	2021	2021	2022	2022 Prog.	2022	2023	2024	2025	2026	2027
	Est.	Rev. Budget	Prel.	Budget	IMF CR 22/49			Proj.			
Total Revenue and Grants	22.2	22.6	23.9	21.1	25.7	27.8	27.4	27.1	26.3	25.7	26.2
Revenue	20.6	22.4	23.4	20.6	25.2	27.3	26.7	26.6	25.7	25.0	25.5
Oil revenue	11.0	13.6	15.0	12.2	15.0	18.6	17.1	16.7	15.0	13.3	13.2
Non-oil revenue	9.6	8.8	8.5	8.5	10.2	8.7	9.6	9.9	10.7	11.7	12.3
Direct taxes	3.4	2.9	2.9	3.2	3.7	3.3	3.6	3.8	4.1	4.5	4.7
Taxes on goods and services	4.3	3.8	3.5	3.4	4.2	3.3	3.6	3.8	4.1	4.5	4.7
Customs Receipts	1.7	1.6	1.6	1.4	1.7	1.6	1.8	1.8	2.0	2.2	2.3
Non-tax revenue	0.2	0.5	0.5	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Grants	1.7	0.2	0.5	0.4	0.5	0.4	0.7	0.5	0.6	0.7	0.7
Expenditure and Net Lending	23.5	20.7	22.2	19.0	22.9	19.6	22.3	22.1	23.8	24.5	24.8
Current expenditure	19.9	16.8	18.9	15.3	18.2	15.6	17.3	17.0	18.1	18.5	18.4
Wages	5.9	5.3	5.1	4.3	5.3	4.3	4.6	4.7	5.1	5.4	5.6
Other primary current expenditure	11.6	9.1	11.1	8.5	10.3	8.8	9.6	9.3	10.0	10.1	10.0
Goods and services	2.6	2.0	3.8	2.1	2.6	2.2	2.4	2.3	2.7	2.7	2.8
Transfers	8.0	6.2	6.0	5.6	6.8	5.9	6.4	6.2	6.6	6.6	6.5
Social Transfers (Lisungi, COVID-19 and others)	1.3	1.3	1.3	2.1	1.4	1.5	1.8	1.7	1.9	2.0	2.1
Oil-related transfers	1.4	...	1.4	0.9	1.1	0.9	1.1	0.9	1.1	0.8	0.8
Other transfers	5.2	...	3.3	2.6	4.3	3.5	3.5	3.7	3.7	3.7	3.7
Common charges	1.0	0.9	1.3	0.7	0.9	0.7	0.7	0.7	0.7	0.8	0.6
Annex budgets and special Accounts[1]	1.0	0.6	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.3
Interest	1.3	1.8	2.2	2.0	2.1	2.1	2.6	2.5	2.5	2.6	2.5
Domestic	0.6	...	1.1	0.0	0.8	0.8	1.7	1.7	1.9	2.1	2.0
External	0.8	...	1.1	0.0	1.3	1.2	0.9	0.7	0.6	0.5	0.5
of which: COVID-19 Moratorium Loan (interest)	0.0	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: on oil-prepurchased debt	0.0	...	0.3	0.0	0.7	0.3	0.2	0.1	0.0	0.0	0.0
Capital expenditure	3.6	3.9	3.2	3.8	4.7	3.9	5.1	5.1	5.8	6.0	6.4
Domestically financed	2.0	2.1	1.9	1.8	2.2	1.8	2.4	2.6	3.0	3.3	3.7
Externally financed	1.6	1.8	1.3	1.9	2.5	2.1	2.7	2.5	2.8	2.7	2.7
Non-oil primary balance[2]	-10.8	-9.8	-11.1	-8.2	-10.2	-8.4	-9.4	-9.2	-10.1	-9.6	-9.3
Basic non-oil primary balance[3]	-10.9	-8.3	-10.2	-6.7	-8.2	-6.7	-7.5	-7.2	-7.8	-7.5	-7.3
— excluding oil-related transfers[4]	-9.5	-8.3	-8.8	-6.7	-7.1	-5.8	-6.5	-6.3	-6.8	-6.7	-6.5
Primary balance	0.1	3.7	3.9	4.0	4.8	10.2	7.7	7.5	4.9	3.7	3.9
Overall balance, payment order basis											
Excluding grants	-2.9	1.7	1.3	1.6	2.2	7.7	4.4	4.5	1.8	0.5	0.7
Including grants	-1.2	1.9	1.7	2.0	2.7	8.2	5.1	5.0	2.5	1.1	1.4
Overall balance, cash basis	-0.7	1.9	1.7	2.0	2.7	8.2	5.1	5.0	2.5	1.1	1.4
Financing	0.7	-1.9	-1.7	-6.7	-5.9	-10.7	-7.6	-6.5	-2.5	-1.1	-1.4
Foreign (net)	0.8	-3.4	-4.7	-3.6	-5.2	-7.7	-5.1	-3.3	-1.0	-0.4	-0.3
Drawings	1.3	1.6	1.1	1.5	2.0	1.6	1.9	2.0	2.2	2.0	2.0
COVID-19 Moratorium Loan	2.6	...	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (paid)	-7.9	-5.0	-6.0	-5.1	-7.2	-9.4	-7.0	-5.3	-3.2	-2.4	-2.3
of which: COVID-19 Moratorium Loan (principal and interest)	0.0	...	0.0	0.0	0.7	0.7	0.8	0.7	0.2	0.2	0.2
of which: on oil-prepurchased debt	-0.3	...	-1.7	0.0	-3.3	-3.8	-3.4	-2.1	-0.6	0.0	0.0
Other foreign financing	1.4	...	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	-0.1	1.6	3.0	-3.1	-0.7	-3.0	-2.5	-3.2	-1.4	-0.7	-1.1
Banking system (net)	5.4	6.1	6.4	1.4	1.4	0.8	-0.7	-2.2	-0.6	1.9	1.3
Central bank	1.9	0.5	0.4	1.4	0.8	-1.9	-3.0	-2.9	-3.1	-2.3	-2.6
of which Use of SDR Allocations	...	...	0.5	...	1.7	1.4	...	...	...	...	...
Commercial banks[5]	3.5	5.6	6.0	0.0	0.7	2.7	2.3	0.8	2.5	4.3	3.9
Nonbank financing[5]	-5.4	-4.5	-3.4	-4.5	-2.1	-3.8	-1.8	-1.1	-0.8	-2.6	-2.4
Of which: Repayment of domestic arrears	-3.4	-1.8	-4.5	0.0	-2.8	-4.6	-2.4	-2.3	-1.7	-1.6	-1.3
Financing gap (- = surplus)	0.0	0.0	0.0	4.7	3.1	2.6	2.5	1.5	0.0	0.0	0.0
Expected financing (excluding IMF)	0.0	0.0	0.0	...	1.0	0.7	1.9	0.9	0.0	0.0	0.0
IMF-ECF	0.0	0.0	0.0	...	2.1	1.8	0.6	0.6	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Stock of domestic arrears[6]	22.9	...	14.5	...	18.5	14.3	10.7	7.4	5.3	3.4	1.9
Stock of government deposits	1.6	...	3.1	...	1.2	4.4	7.5	10.1	12.8	14.7	16.3
CEMAC Reference fiscal balance[7]	2.6	...	-0.9	...	-1.2	-1.2	-1.9	0.4	0.9	0.3	-0.5
GDP at current market prices	5,937	7,006	7,006	8,721	7,189	8,721	8,755	9,184	9,277	9,414	9,844
Non-oil GDP at market prices	4,245	4,478	4,478	4,792	4,639	4,792	5,138	5,504	5,924	6,407	6,930

Sources: Congolese authorities; and IMF staff estimates and projections.

[1] Includes net spending (i.e. spending minus revenues) associated with decentralized government entities.

[2] Revenue and grants excluding oil revenues minus total primary expenditures (excluding interest payments).

[3] Non oil revenue excluding grants minus total expenditures excluding interest payments and foreign-financed investment.

[4] Basic non-oil primary balance minus oil revenue and oil-related transfers.

[5] Include resident and non-resident creditors from the CEMAC region.

[6] Includes estimates of domestic arrears audited by the the Caisse Congolaise d'Amortisation (CCA) and reported but not yet audited arrears.

[7] CEMAC definition: overall balance minus 20 percent of oil revenues and minus 80 percent of the oil revenue in excess of the average observed during the three previous years.

Table 3a. Republic of Congo: Quarterly Central Government Operations, Flows, 2022–23
(Billions of CFA francs)

	2022					2023				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	459	574	629	759	2,421	446	580	623	752	2,401
Revenue	449	564	619	750	2,383	437	564	605	732	2,337
Oil revenue	325	390	422	487	1,625	255	360	390	495	1,499
of which: repayment of oil-prepurchased debt	14	20	20	24	79	19	24	19	32	93
Non-oil revenue	124	174	197	262	758	182	204	216	237	839
Direct taxes	48	67	75	100	290	70	79	83	86	317
Taxes on goods and services	48	66	75	99	288	70	80	83	86	319
Customs Receipts	23	33	37	50	141	35	35	39	49	158
Non-tax revenue	6	9	10	13	38	7	10	11	16	44
Grants	10	10	10	10	39	10	17	17	21	64
Expenditure and net lending	381	445	449	433	1,707	422	493	507	531	1,954
Current expenditure	312	359	357	337	1,364	346	382	385	398	1,511
Wages	87	95	99	99	379	98	102	102	106	406
Other primary current expenditure	180	219	213	193	806	192	225	228	236	881
Goods and services	48	53	55	34	190	44	54	56	54	209
Transfers	106	140	132	133	511	121	144	144	155	564
Social transfers (Lisungi, COVID-19 and other)	31	33	32	32	127	39	42	40	40	162
Oil-related transfers	14	20	20	24	79	19	24	19	32	93
Other Transfers	62	86	80	77	305	64	77	85	83	309
Common charges	16	16	16	16	63	16	16	16	16	65
Annex budgets and special Accounts[1]	11	11	11	11	42	11	11	11	11	43
Interest	45	45	45	45	179	56	56	56	56	224
Domestic	18	18	18	18	71	36	36	36	36	145
External	27	27	27	27	108	20	20	20	20	79
Capital expenditure	69	86	93	96	343	77	111	122	133	443
Domestically financed	32	40	43	45	161	42	53	57	59	210
Externally financed	36	45	49	51	182	35	58	65	74	233
Non-oil primary balance[2]	-202	-216	-198	-116	-731	-175	-216	-218	-217	-827
Basic primary balance	150	210	264	413	1,037	105	185	219	331	840
Basic non-oil primary balance[3]	-175	-180	-158	-74	-588	-150	-175	-171	-163	-659
— excluding oil-related transfers[4]	-161	-160	-138	-51	-510	-131	-151	-152	-132	-565
Primary balance	123	174	225	372	893	80	143	171	277	672
Overall balance, payment order basis										
Excluding grants	68	120	170	317	676	14	71	98	201	383
Including grants	78	129	180	327	714	24	87	115	221	447
Overall balance, cash basis	78	129	180	327	714	24	87	115	221	447
Financing	-41	-197	-224	-475	-937	81	-259	-272	-216	-665
Foreign (net)	-254	-202	-365	145	-676	-128	-113	-102	-100	-443
Drawings	21	35	55	33	143	25	34	51	59	168
Amortization Net (Paid) on principal, external	-274	-237	-420	112	-819	-153	-147	-153	-159	-612
Other foreign financing	…	…	…	…	0	…	…	…	…	0
Domestic (net)	212	5	141	-619	-262	209	-146	-170	-115	-222
Banking	245	21	224	-419	72	225	-130	-130	-27	-62
Central Bank (net)	104	-111	-16	-143	-166	104	-80	-80	-211	-266
of which: Change in government deposits (- = an increase)	-111	-111	-111	-111	-444	-80	-80	-80	-80	-319
Use of SDR Allocations	30	30	30	30	120	0	0	0	0	0
Commercial banks (net)	121	105	213	-338	101	121	-50	-50	184	205
Non-resident public securities	20	27	27	61	136					
Loan BGFI										
Nonbank financing	-33	-17	-83	-200	-334	-16	-16	-40	-88	-160
Of which: Repayment of domestic arrears	-40	-20	-100	-241	-402	-21	-21	-53	-116	-211
Financing gap (- = surplus)	-37	68	45	148	223	-105	172	157	-6	218
Expected financing (excluding IMF)	0	0	0	65	65	83	0	83	0	165
IMF-ECF	53	53	0	53	158	0	26	0	26	53
Residual	-89	15	45	30	0	-188	145	74	-32	0

Sources: Congolese authorities; and IMF staff estimates and projections.

[1] Includes net spending (i.e. spending minus revenues) associated with decentralized government entities and net of social security contributions.

[2] Revenue and grants excluding oil revenues minus total primary expenditures (excluding interest payments).

[3] Non oil revenue excluding grants minus total expenditures excluding interest payments and foreign-financed investment.

[4] Basic non-oil primary balance minus oil-related transfers.

Table 3b. Republic of Congo: Quarterly Central Government Operations, Flows, 2022–23

(Billions of CFA francs; cumulative from the beginning of the fiscal year)

	2022					2023				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
	Proj.	Proj.	Proj.	Proj.		Proj.	Proj.	Proj.	Proj.	
Total revenue and grants	459	1033	1662	2421	2421	446	1027	1649	2401	2401
Revenue	449	1013	1633	2383	2383	437	1000	1605	2337	2337
Oil revenue	325	715	1137	1625	1625	255	614	1004	1499	1499
of which: repayment of oil-prepurchased debt	14	35	55	79	79	19	43	62	93	93
Non-oil revenue	124	298	495	758	758	182	386	601	839	839
Direct taxes	48	115	190	290	290	70	149	232	317	317
Taxes on goods and services	48	114	189	288	288	70	150	233	319	319
Customs Receipts	23	55	92	141	141	35	69	109	158	158
Non-tax revenue	6	15	25	38	38	7	17	28	44	44
Grants	10	19	29	39	39	10	26	44	64	64
Expenditure and net lending	381	825	1274	1707	1707	422	916	1423	1954	1954
Current expenditure	312	671	1028	1364	1364	346	728	1113	1511	1511
Wages	87	182	280	379	379	98	199	301	406	406
Other primary current expenditure	180	399	613	806	806	192	417	645	881	881
Goods and services	48	101	156	190	190	44	98	155	209	209
Transfers	106	246	378	511	511	121	265	409	564	564
Social transfers (Lisungi, COVID-19 and other)	31	64	95	127	127	39	81	121	162	162
Oil-related transfers	14	35	55	79	79	19	43	62	93	93
Other Transfers	62	148	228	305	305	64	141	226	309	309
Common charges	16	31	47	63	63	16	32	49	65	65
Annex budgets and special Accounts[1]	11	21	32	42	42	11	21	32	43	43
Interest	45	90	135	179	179	56	112	168	224	224
Domestic	18	35	53	71	71	36	72	109	145	145
External	27	54	81	108	108	20	40	59	79	79
Capital expenditure	69	154	247	343	343	77	188	309	443	443
Domestically financed	32	72	116	161	161	42	95	151	210	210
Externally financed	36	82	131	182	182	35	93	158	233	233
Non-oil primary balance[2]	-202	-418	-616	-731	-731	-175	-391	-610	-827	-827
Basic primary balance	150	360	624	1037	1037	105	290	509	840	840
Basic non-oil primary balance[3]	-175	-355	-514	-588	-588	-150	-325	-495	-659	-659
— excluding oil-related transfers[4]	-161	-321	-459	-510	-510	-131	-282	-434	-565	-565
Primary balance	123	297	522	893	893	80	223	394	672	672
Overall balance, payment order basis	0	0	0	0	0	0	0	0	0	0
Excluding grants	68	188	358	676	676	14	85	183	383	383
Including grants	78	207	387	714	714	24	111	226	447	447
Overall balance, cash basis	78	207	387	714	714	24	111	226	447	447
Financing	-41	-238	-463	-937	-937	81	-178	-450	-665	-665
Foreign (net)	-254	-455	-820	-676	-676	-128	-241	-343	-443	-443
Drawings	21	56	111	143	143	25	59	109	168	168
Project loans	21	56	111	143	143	25	59	109	168	168
Loan BGFI						0	0	0	0	0
Budgetary loans	0	0	0	0	0	0	0	0	0	0
Non-resident public securities						0	0	0	0	0
Collateralized loans	0	0	0	0	0	0	0	0	0	0
COVID-19 Moratorium Loan	0	0	0	0	0	0	0	0	0	0
Amortization Net (Paid) on principal, external	-274	-511	-931	-819	-819	-153	-300	-453	-612	-612
Other foreign financing	…	0	0	0	0	…	0	0	0	0
Domestic (net)	212	217	358	-262	-262	209	63	-107	-222	-222
Banking	245	267	491	72	72	225	95	-35	-62	-62
Central Bank (net)	104	-7	-23	-166	-166	104	24	-56	-266	-266
of which: Change in government deposits (- = an increa	-111	-222	-333	-444	-444	-80	-160	-239	-319	-319
Use of SDR Allocations	30	60	90	120	120	0	0	0	0	0
Commercial banks (net)	121	226	439	101	101	121	71	21	205	205
Non-resident public securities	20	48	75	136	136					
Loan BGFI										
Nonbank financing	-33	-50	-133	-334	-334	-16	-32	-72	-160	-160
Of which: Repayment of domestic arrears	-40	-60	-161	-402	-402	-21	-42	-95	-211	-211
Financing gap (- = surplus)	-37	31	75	223	223	-105	67	223	218	218
Expected financing (excluding IMF)	0	0	0	65	65	83	83	165	165	165
IMF-ECF	53	106	106	158	158	0	26	26	53	53
Residual	-89	-75	-30	0	0	-188	-42	32	0	0

Sources: Congolese authorities; and IMF staff estimates and projections.

[1] Includes net spending (i.e. spending minus revenues) associated with decentralized government entities.

[2] Revenue and grants excluding oil revenues minus total primary expenditures (excluding interest payments).

[3] Non oil revenue excluding grants minus total expenditures excluding interest payments and foreign-financed investment.

[4] Basic non-oil primary balance minus oil-related transfers.

Table 4. Republic of Congo: Medium-Term Balance of Payments, 2020–27
(Billions of CFA francs)

	2020 Est.	2021 Prel.	2022 Prog. EBS/22/1	2022	2023	2024	2025	2026	2027
Current account	-5	885	397	1,502	696	426	25	-39	-197
of which non-oil	-1,277	-853	-1,267	-1,203	-1,497	-1,658	-1,875	-1,856	-1,875
Trade balance	1,500	2,631	2,439	3,961	3,292	3,230	2,779	2,439	2,355
Exports, f.o.b.	3,132	4,461	4,537	6,590	6,142	6,274	5,837	5,461	5,591
Oil sector	2,400	3,521	3,606	5,475	5,048	5,157	4,669	4,192	4,210
Non-oil sector	732	940	931	1,114	1,095	1,117	1,168	1,269	1,381
Imports, f.o.b.	-1,632	-1,830	-2,097	-2,628	-2,850	-3,044	-3,058	-3,022	-3,236
Oil sector	-626	-870	-962	-1,335	-1,378	-1,472	-1,339	-1,175	-1,268
Government	-269	-182	-272	-274	-354	-374	-430	-452	-503
Non-oil private sector	-737	-778	-863	-1,019	-1,118	-1,198	-1,289	-1,394	-1,466
Balance of services	-996	-1,077	-1,258	-1,539	-1,711	-1,840	-1,868	-1,651	-1,717
Oil sector	-330	-452	-511	-690	-738	-798	-727	-553	-610
Nonoil sector	-666	-625	-746	-849	-974	-1,042	-1,142	-1,098	-1,108
Income	-579	-676	-794	-930	-920	-978	-908	-853	-864
Labor income	9	2	2	-7	-4	-5	-3	-1	-2
Investment income	-589	-678	-796	-924	-915	-973	-905	-852	-863
Current transfers (net)	70	7	9	10	35	14	23	26	30
Capital account	22	22	15	15	15	45	57	62	69
Official grants	28	28	15	15	15	45	57	62	69
Debt cancellation	0	0	0	0	0	0	0	0	0
Non-financial non-produced assets	-6	-6	0	0	0	0	0	0	0
Financial account	-290	-963	-518	-1,256	-522	-233	353	291	386
Direct investment (net)	157	290	331	366	438	507	470	437	472
Portfolio investment	-1	-1	-1	-1	-1	-1	-1	-1	-1
Other investment	-446	-1,252	-848	-1,621	-959	-739	-116	-146	-85
Medium and long term	-434	-213	-363	-650	-353	-199	-42	11	23
Public sector	-396	-226	-346	-647	-397	-256	-96	-38	-30
Drawings	76	127	169	172	214	231	205	192	194
Project	76	127	142	143	168	186	205	192	194
Program	0	0	0	0	0	0	0	0	0
Other (collateralized)	0	0	27	29	46	45	0	0	0
Amortization[1]	-414	-475	-515	-819	-612	-487	-301	-231	-224
Net change in arrears	-57	0	0	0	0	0	0	0	
SDR Allocation	0	122	0	0	0	0	0	0	
Private sector	-39	13	-17	-3	44	57	54	49	53
Oil	-45	24	25	39	40	42	38	32	36
Non-oil	7	-12	-43	-42	5	15	16	17	17
Short term	-12	-1,038	-485	-971	-607	-541	-74	-157	-108
Errors and omissions	0	0	0	0	0	0	0	0	0
Overall balance of payments	-273	-56	-105	261	189	239	436	315	258
Financing	273	56	-118	-484	-407	-378	-436	-315	-276
Reserve financing (- = increase)	39	44	-118	-484	-407	-378	-436	-315	-258
Government deposits abroad	82	-79	0	0	0	0	0	0	0
Exceptional financing [2]	152	90	0	0	0	0	0	0	0
Financing gap (- = surplus)	0	0	223	223	218	139	0	0	0
Expected financing (excluding IMF)	0	0	71	65	165	87	0	0	0
IMF-ECF	0	0	152	158	53	53	0	0	0
Residual financing gap	0	0	0	0	0	0	0	0	0

Sources: Bank of Central African States (BEAC) and IMF staff estimates and projections.

[1] Includes stock debt relief of the HIPC completion point and the repayment of the G20 loan moratorium.

[2] Includes flow debt relief from Paris Club and London Club, G20 loan moratorium, and payments to litigating creditors.

Table 5. Republic of Congo: Monetary Survey, 2020–27

(Billions of CFA francs, unless otherwise specified)

	2020	2021	2022 Prog.	2022				2023	2024	2025	2026	2027
				Q1	Q2	Q3	Q4					
	Est.	Prel.	EBS/22/1	Proj.	Proj.	Proj.	Proj.			Proj.		
Net foreign assets	559	360	602	493	560	700	779	1,108	1,540	1,995	2,340	2,647
Central bank	440	273	428	341	409	530	599	953	1,279	1,720	2,036	2,312
Deposit money banks	119	87	174	152	150	169	181	155	261	276	304	335
Net domestic assets	1,600	1,925	2,438	1,800	1,912	1,869	1,944	1,995	1,923	1,950	2,224	2,464
Net domestic credit	1,993	2,189	2,438	2,140	2,210	2,149	2,279	2,330	2,258	2,285	2,559	2,799
Net credit to the public sector	869	952	1,161	992	1,091	945	1,046	1,037	892	836	1,017	1,147
Net credit to the Government	867	959	1,158	999	1,098	952	1,053	1,044	899	843	1,024	1,154
Central bank	500	501	512	515	589	418	494	280	63	-227	-447	-700
Claims	598	720	598	773	826	826	878	931	984	957	934	895
Use of IMF Credit	26	26	26	79	132	132	185	237	290	285	283	265
Deposits	-98	-219	-88	-259	-238	-410	-386	-654	-924	-1,189	-1,387	-1,602
Deposit money banks	367	458	798	483	509	534	559	764	835	1,070	1,471	1,854
Claims on public agencies, net	3	-7	3	-7	-7	-7	-7	-7	-7	-7	-7	-7
Credit to the economy[1]	1,124	1,237	1,125	1,148	1,119	1,205	1,233	1,292	1,366	1,448	1,542	1,652
Credit to the private sector	1,032	1,132	1,081	1,113	1,090	1,166	1,184	1,240	1,310	1,388	1,477	1,582
Other items, net	-394	-264	--	-340.0	-298.0	-280.0	-335.0	-335	-335	-335	-335	-335
Broad money	2,159	2,285	3,040	2,293	2,472	2,569	2,723	3,103	3,463	3,945	4,564	5,111
Currency outside banks	569	637	801	656	717	723	759	865	965	1,100	1,272	1,425
Demand deposits	1,032	1,107	1,506	1,095	1,173	1,243	1,327	1,517	1,697	1,938	2,248	2,522
Time deposits	521	504	733	506	545	567	601	685	764	870	1,007	1,128
(Changes in percent of beginning-of-period broad money)												
Broad money	18.0	5.9	10.8	0.4	8.2	12.4	19.2	13.9	11.6	13.9	15.7	12.0
Net foreign assets	1.5	-9.2	-0.2	5.8	8.7	14.9	18.3	12.1	13.9	13.1	8.7	6.7
Net domestic assets	16.5	15.1	10.9	-5.5	-0.6	-2.4	0.8	1.9	-2.3	0.8	7.0	5.3
Net domestic credit	19.7	9.1	10.9	-2.1	0.9	-1.7	4.0	1.9	-2.3	0.8	7.0	5.3
Net credit to the public sector	17.4	3.8	3.7	1.7	6.1	-0.3	4.1	-0.3	-4.7	-1.6	4.6	2.9
Credit to the economy	2.3	5.2	1.6	-3.9	-5.1	-1.4	-0.2	2.2	2.4	2.4	2.4	2.4
Credit to the private sector	1.9	4.6	1.5	-0.8	-1.8	1.5	2.3	2.1	2.3	2.3	2.3	2.3
Other items, net	-3.2	6.0	--	-3.3	-1.5	-0.7	-3.1	--	--	--	--	0.0
(Annual percent changes, unless otherwise indicated)												
Broad money	18.0	5.9	10.8	6.4	12.3	16.6	19.2	13.9	11.6	13.9	15.7	12.0
Reserve money	16.5	-0.6	7.5	19.5	21.6	39.9	33.7	10.5	6.3	16.6	25.0	12.0
Credit to the economy	3.9	10.0	4.2	1.3	1.6	0.7	-0.3	4.8	5.7	6.0	6.5	7.1
Credit to the private sector	3.5	9.6	4.1	5.1	4.9	4.7	4.6	4.7	5.7	6.0	6.4	7.1
Velocity (Non-oil GDP/average M2)	2.1	2.0	1.5	...	...	...	1.8	1.7	1.6	1.5	1.4	1.4
(Percent)												
Total nominal GDP growth	-20.8	18.0	3.3	...	...	...	24.5	0.4	4.9	1.0	1.5	4.6
Non-oil nominal GDP growth	-6.3	5.5	6.2	...	...	...	7.0	7.2	7.1	7.6	8.2	8.2
Credit to the economy/Non-oil GDP	26.5	27.6	24.3	...	...	...	25.7	25.2	24.8	24.5	24.1	23.8
Memorandum Items:												
Gross imputed official reserves (CFA billion)	643	551	906	672	793	914	1035	1442	1820	2256	2570	2828
In months of imports	2.5	1.5	2.9	...	...	...	2.6	3.4	4.2	5.5	5.9	6.5
Central bank liablities to non-residents	203.1	277.5	477.3	330.3	383.1	383.1	436.0	488.6	541.2	535.9	533.8	516.3

Sources: BEAC; and IMF staff estimates and projections.

[1] Private sector and public enterprises.

Table 6. Republic of Congo: Financial Soundness Indicators for the Banking Sector, 2015–21

(Percent, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	Jun-21	Aug-21
Core FSIs								
Capital Adequacy[1,2]								
Regulatory capital to risk-weighted assets	19.5	19.1	22.8	24.9	28.8	18.8	22.4	22.0
Nonperforming loans net of provisions to capital	6.2	10.1	40.6	52.4	59.2	43.1	33.1	36.8
Asset Quality								
Nonperforming loans to total gross loans	3.6	4.8	13.3	18.2	23.1	17.5	16.7	17.3
Provisions to nonperforming loans	72.9	63.9	42.2	44.3	41.7	61.6	63.6	60.4
Earnings and Profitability								
Return on assets	2.1	3.7	1.5	1.2	0.6	1.1	2.6	...
Return on equity	14.8	23.9	6.6	4.2	1.1	5.7	15.3	...
Liquidity								
Liquid assets to total assets	21.1	16.7	22.7	26.8	23.3	26.9	27.7	27.8
Liquid assets to short-term liabilities	116.1	104.4	146.6	176.0	150.8	174.4	171.6	181.9
Sensitivity to Market Risk								
Net open position in foreign exchange to capital	0.8	-1.7	-0.9	5.3	-1.2	5.6	4.2	4.1
Additional FSIs								
Large exposures to capital	187.2	154.2	157.5	157.2	140.3	126.0	120.8	106.9
Trading income to total income	11.1	4.7	40.0	47.0	38.5	161.6	63.5	...
Personnel expenses to noninterest expenses	24.7	28.8	14.2	10.6	11.2	25.4	6.3	...
Customer deposits to total (noninterbank) loans	125.5	102.8	90.5	89.1	101.5	108.2	112.6	107.9
FX loans to total loans	2.4	2.2	4.8	2.9	0.7	0.1	0.1	0.1
Residential real estate loans to total gross loans	1.7	1.5	0.7	0.6	0.7	1.4	1.7	2.0
Commercial real estate loans to total gross loans	0.1		0.3	0.4	0.1	0.9	1.4	1.2

Sources: IMF Financial Soundness Indicators.

[1] Current year profits are excluded from the definition of regulatory capital, following the Basel I capital accord guidelines. General provisions are included in Tier 2 capital up to an amount equal to 1.25% of risk-weighted assets. Regulatory capital is the sum of Tier 1 capital, and the minimum of Tier 1 and Tier 2 capital.

[2] The risk-weighted assets are estimated using the following risk weights: 0% - cash reserves in domestic and foreign currency and claims on the central bank; 100% - all other assets.

Table 7. Republic of Congo: Gross Fiscal Financing Needs, 2022–27

(Billions of CFA francs)

	2022 Proj	2023 Proj	2024 Proj	2025 Proj	2026 Proj	2027 Proj
A. Overall fiscal balance (cash basis) [-=surplus]	-714	-448	-460	-228	-105	-140
B. Financing needs	2114	1568	1589	1559	1615	1717
Amortization (including arrears)	1665	1244	1262	1269	1392	1475
External	819	612	487	301	231	224
Amortization due	819	612	487	301	231	224
ow DSSI amortization	-57	-70	-69	-18	-18	0
Domestic	847	632	775	968	1161	1251
Amortization due (T-bills redemption)	445	421	567	813	1015	1118
Repayment of domestic arrears	402	211	209	155	146	133
BEAC	444	319	322	285	218	235
Repayment of statutory advances	0	0	0	21	21	21
Change in government deposits (+ = an increase)	444	319	322	264	197	214
Commercial Banks	5	5	5	5	5	5
Change in government deposits (+ = an increase)	5	5	5	5	5	5
Other external financing	0	0	0	0	0	0
Errors and Omissions	0	0	0	0	0	1
C=A+B Total financing needs	1400	1120	1129	1331	1509	1576
D. Identified sources of financing	1177	902	990	1331	1509	1576
External	143	168	186	205	192	194
Project financing	143	168	186	205	192	194
Loans	143	168	186	205	192	194
Domestic	1034	734	804	1126	1317	1382
SDR allocation channeled through BEAC	120					
T-bill issuance	730	685	804	1126	1317	1382
Recovery of domestic tax arrears	48	48	0	0	0	0
Non resident commercial banks	136					
E=C-D Financing gap (-=overfinancing)	223	218	139	0	0	0
F. Exceptional external financing	65	165	87	0	0	0
Multilateral	47	129	64	0	0	0
Bilateral	17	36	23	-	-	-
G=E-F Residual financing needs	158	53	53	0	0	0
IMF-ECF	158	53	53	0	0	0

Sources: Congolese authorities; and IMF staff estimates and projections.

Table 8. Republic of Congo: Public Debt by Creditor, 2021–23 [1]

(Year-end; billions of CFAF, unless otherwise indicated)

	Debt Stock (end of period)			Debt Service						
	2021			2021	2022	2023		2021	2022	2023
	(In Million US$)	*(Percent total debt)*	*(Percent GDP)* [7]	*(In US$)*				*(Percent GDP)*		
Total	12,181	100	96.4	1,332	1,733	2,511		12.9	13.7	16.8
External	6,787	56	53.7	881	982	1,591		8.5	7.8	10.6
Multilateral creditors[2,3]	835	6.9	6.6	37	34	58		0.4	0.3	0.4
IMF	45	0.4	0.4	…	…	…	…	…	…	…
World Bank	319	2.6	2.5	…	…	…	…	…	…	…
ADB/AfDB/IADB	392	3.2	3.1	…	…	…	…	…	…	…
Other Multilaterals	79	0.6	0.6	…	…	…	…	…	…	…
o/w: BDEAC	30	0.2	0.2	…	…	…	…	…	…	…
IFAD	24	0.2	0.2	…	…	…	…	…	…	…
Bilateral Creditors	2,793	22.9	22.1	602	364	402		5.8	2.9	2.7
Paris Club	412	3.4	3.3	195	24	146		1.9	0.2	1.0
o/w: France	182	1.5	1.4	…	…	…	…	…	…	…
Belgium	148	1.2	1.2	…	…	…	…	…	…	…
Non-Paris Club	2,382	19.6	18.8	407	341	256		3.9	2.7	1.7
o/w: China	1,964	16.1	15.5	…	…	…	…	…	…	…
India	121	1.0	1.0	…	…	…	…	…	…	…
Commercial creditors[2]	3,159	25.9	25.0	196	540	1,068		1.9	4.3	7.1
o/w: Bonds	255	2.1	2.0	45	43	41		0.4	0.3	0.3
o/w: Trafigura			-							
Glencore			-							
Other international creditors			-							
o/w: list largest two creditors			-							
list of additional large creditors			-							
Domestic	4875	40.0	38.6	452	752	921		4.4	5.9	6.1
Held by residents, total										
Held by non-residents, total										
T-Bills[8]	…	…	…	…	…	…	…	…	…	…
Bonds[6, 8]	1548	12.7	12.2	431	730	892		4.2	5.8	6.0
Loans	986	8.1	7.8	21	22	28		0.2	0.2	0.2
Memo items:										
Collateralized debt[4]										
o/w: Related	1,563	…	12.4	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…
Contingent liabilities										
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities[5]	277	…	2.2							
Nominal GDP	12,641	…	…	…	…	…	…	…	…	…

Sources: Congolese authorities and IMF staff estimates.

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/ A breakdown of commercial creditors, including debt owed to oil traders, is not shown in the table due to capacity constraints/confidentiality clauses.

3/Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

6/ Data on T-Bills and bonds are collected together.

7/ Calculated with debt stock and GDP in local currency units.

8/ T-Bills and T-Bonds are grouped together.

Table 9. Republic of Congo: External Arrears, 2021–22
(Year-end; billions of CFAF, unless otherwise indicated)

	September 2021 Stock			February 2022 Stock			February 2022 (excl. unrestructured pre-HIPC arrears)[1]		
	CFAF Billion	USD Million	Percent of GDP	CFAF Billion	USD Million	Percent of GDP	CFAF Billion	USD Million	Percent of GDP
Total	**701**	**1264**	**10.0**	**378**	**648**	**4.3**	**92**	**157**	**1.1**
Multilateral and other creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFAD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AfDB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	101.8	183.7	1.5	87.8	150.4	1.0	18.2	31.1	0.2
Paris Club	44.3	79.9	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Brazil2	26.5	47.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	17.8	32.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ADF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C2D	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Paris Club	57.5	103.8	0.8	87.8	150.4	1.0	18.2	31.1	0.2
United Arab Emirates	13.0	23.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Angola	41.0	74.0	0.6	66.4	113.8	0.8	0.0	0.0	0.0
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India Exim Bank	13.7	24.7	0.2	18.2	31.1	0.2	18.2	31.1	0.2
Kuwait	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Arabia	0.3	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postal debt	3.1	5.7	0.0	3.1	5.4	0.0	0.0	0.0	0.0
Private Creditors	599	1080	8.5	290	497.6	3.3	73.6	126.1	0.8
CMEC and Chinese companies[3]	67	121	1.0	62	106.6	0.7	62.2	106.6	0.7
Eurobond (London Club)	0	0	0.0	0	0.0	0.0	0.0	0.0	0.0
Afreximbank	0	0	0.0	0	0.0	0.0	0.0	0.0	0.0
Oil traders	304	548	4.3	0	0.0	0.0	0	0.0	0.0
Suppliers[4]	228	412	3.3	228	391	2.6	11.4	19	0.1

Sources: Congolese authorities and IMF staff estimates.

[1] This set of columns excludes pre-HIPC debts that are under dispute (as they are considered a subset of unrestructured pre-HIPC arrears).

[2] An agreement in principle has been reached for resolution of these arrears and the corresponding debt service is included in the DSA.

[3] China Machinery Engineering Corporation, previously classified as official bilateral debt.

[4] Includes disputed debts and pre-HIPC claims.

Table 10. Republic of Congo: Indicators of Capacity to Repay the IMF

(Millions of SDRs, unless otherwise stated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
IMF obligations based on existing credit																
Principal	0.0	0.0	0.0	6.5	6.5	13.0	19.4	19.4	13.0	13.0	6.5	0.0	0.0	0.0	0.0	0.0
Charges and interest	0.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
IMF obligations based on prospective credit																
Principal	0.0	0.0	0.0	0.0	0.0	6.5	29.2	42.1	51.8	51.8	45.4	22.7	9.7	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit																
SDR millions	0.6	1.2	1.2	7.7	7.7	20.6	49.8	62.7	66.0	66.0	53.0	23.9	10.9	1.2	1.2	1.2
CFAF billions	0.5	1.0	0.9	6.2	6.2	16.6	40.2	50.7	53.3	53.3	42.8	19.3	8.8	0.9	0.9	0.9
Percent of exports of goods and services	0.0	0.0	0.0	0.1	0.1	0.3	0.6	0.8	0.8	0.8	0.6	0.3	0.1	0.0	0.0	0.0
Percent of debt service[1]	0.1	0.1	0.2	1.7	2.2	6.1	15.8	20.7	22.2	21.8	18.8	9.6	4.4	0.5	0.5	0.5
Percent of GDP	0.0	0.0	0.0	0.1	0.1	0.2	0.4	0.4	0.4	0.4	0.3	0.1	0.1	0.0	0.0	0.0
Percent of tax revenue	0.0	0.0	0.0	0.3	0.3	0.7	1.5	1.8	1.8	1.6	1.3	0.6	0.2	0.0	0.0	0.0
Percent of quota	0.4	0.7	0.7	4.7	4.7	12.7	30.7	38.7	40.7	40.7	32.7	14.7	5.4	0.6	0.6	0.6
Outstanding IMF credit based on existing and prospective drawings																
SDR millions	226.8	291.6	356.4	349.9	343.4	324.0	275.4	213.8	149.0	84.2	32.4	9.7	0.0	0.0	0.0	0.0
CFAF billions	184.9	237.1	288.8	283.0	277.4	261.7	222.4	172.7	120.4	68.0	26.2	7.9	0.0	0.0	0.0	0.0
Percent of exports of goods and services	2.7	3.7	4.4	4.7	4.9	4.5	3.6	2.7	1.8	1.0	0.4	0.1	0.0	0.0	0.0	0.0
Percent of debt service[1]	19.9	34.3	52.2	79.3	98.8	96.5	87.6	70.7	50.1	27.9	11.5	3.9	0.0	0.0	0.0	0.0
Percent of GDP	2.1	2.7	3.1	3.1	2.9	2.7	2.1	1.5	1.0	0.5	0.2	0.1	0.0	0.0	0.0	0.0
Percent of tax revenue	7.9	10.3	12.1	12.1	12.0	10.6	8.3	6.1	4.0	2.1	0.8	0.2	0.0	0.0	0.0	0.0
Percent of quota	140.0	180.0	220.0	216.0	212.0	200.0	170.0	132.0	92.0	52.0	20.0	6.0	0.0	0.0	0.0	0.0
Memorandum items:																
Exports of goods and services (CFAF billions)	6,863	6,397	6,534	6,079	5,687	5,823	6,255	6,495	6,778	7,089	6,837	6,616	6,421	6,266	6,172	6,119
External Debt service (CFAF billions)[1]	927	691	553	357	281	271	254	244	241	244	228	201	198	195	198	203
Nominal GDP (CFAF billions)	8,721	8,755	9,184	9,277	9,414	9,844	10,610	11,295	12,047	12,866	13,356	13,933	14,598	15,356	16,211	17,169
Tax revenue (CFAF billions)	2,344	2,293	2,394	2,335	2,303	2,461	2,672	2,842	3,032	3,239	3,301	3,387	3,586	3,710	3,395	3,543
Quota (SDR millions)	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0

Sources: IMF staff estimates and projections.

[1] Total external debt service includes IMF repurchases and repayments.

Table 11. Republic of Congo: Schedule of Disbursements and Timing of Reviews Under ECF Arrangement, 2022–24

Date of Availability	Conditions Necessary for Disbursement		Amount (SDR million)	Percent of Quota
			ECF	ECF
Board approval January 21, 2022	Executive Board approval of three-year arrangement under the ECF.		64.80	40
April 15, 2022	Observance of performance criteria for February 28, 2022, continuous performance criteria and completion of first review.		64.80	40
October 15, 2022	Observance of performance criteria for June 30, 2022, continuous performance criteria and completion of second review.		64.80	40
April 15, 2023	Observance of performance criteria for December 31, 2022, continuous performance criteria and completion of third review.		32.40	20
October 15, 2023	Observance of performance criteria for June 30, 2023, continuous performance criteria and completion of fourth review.		32.40	20
April 15, 2024	Observance of performance criteria for December 31, 2023, continuous performance criteria and completion of fifth review.		32.40	20
October 15, 2024	Observance of performance criteria for June 30, 2024, continuous performance criteria and completion of sixth review.		32.40	20
		Total	324.00	200
Memorandum item:				
Republic of Congo's quota			162.0	

Source: IMF Staff estimates.

Table 12. Republic of Congo: Proposed Quantitative Performance Criteria and Indicative Targets (IT), 2022–23

(Billions of CFA francs; cumulative from the beginning of the year, except where otherwise indicated)[1]

	Type of criteria	End-Feb 2022			End-Mar 2022	End-Jun 2022		End-Sept 2022	End-Dec 2022	End-Mar 2023
		PC Program		Status	IT Program	PC Program	PC Modified Program	IT Program	PC Program	IT Program
Floor on basic non-oil primary budget balance[2]	PC	-128	-62	Met	-159	-309	-321	-459	-510	-131
Adjusted target (floor)			-126							
Upward (Downward) adjustment for higher (lower) than expected oil-related transfers			0							
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue			1							
Ceiling on net domestic financing of the central government	PC	168	106	Met	210	289	217	331	-262	209
Adjusted target (ceiling)			169							
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue			1							
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3]	PC	0	0	Met	0	0	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,4,5,7]	PC	0	0	Met	0	0	0	0	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,6]	PC	0	0	Met	0	0	0	0	0	0
Floor on non-oil revenues	IT	96	113	Met	120	289	298	495	758	182
Floor for social and poverty-reducing spending	IT	61	38	Not Met	76	152	152	228	379	96
Ceiling on disbursements of external loans for investment projects	IT	17	16	Met	21	56	56	111	143	25
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion) [4,7]	IT	15	0	Met	19	37	36	52	69	43
Floor on repayment of domestic arrears accumulated by the central government	IT	16	20	Met	20	30	60	161	402	21
Memo items: :										
Oil revenue[8]		161	222		201	439	680	1082	1546	236
Expected external assistance, net[9]		-118	-182		-149	-299	-409	-614	-870	-67
- BoP assistance (IMF-ECF)		51	53		51	102	106	106	158	0
- Budgetary loans and grants (excl. IMF)		9	0		9	19	19	29	103	92
- Change in non-program external arrears		0	-15		0	0	0	0	0	0
Payments for current external debt service due after debt relief		127	167		159	318	428	643	974	160

[1] Quantitative Performance Criteria and Indicative Targets are defined in the TMU. During the first review of the ECF arrangement, Quantitative Performance Criteria are being set for end-February 2022 and end-June 2022; end-March 2022 and end-September 2022 figures are Indicative Targets. Date specific performance criteria are still considered continuous.

[2] Defined as non-oil domestic revenue minus total expenditures excluding interest payments, transfers paid with crude oil, and foreign-financed investment.

[3] These ceilings are set to zero and to be respected continuously from the date of program approval.

[4] Excluding all sources of budgetary support identified in the program.

[5] Excluding all types of financing mentioned in paragragh 10 of the TMU.

[6] Subject to the exception allowed in paragraph 11 of the TMU.

[7] Cumulative from the date of program approval and is on a contractual basis in accordance with the IMF's debt limits policy: https://www.imf.org/-/media/Files/Publications/PP/2021/English/PPEA2021037.ashx.

[8] Excluding oil barter transactions for the payment of transfers.

[9] As defined in paragraphs 18 and 22 of the TMU.

Table 13a. Republic of Congo: Structural Benchmarks (January—March 2022)

Measures	Target date	Status	Comment	Macroeconomic Rationale
Prepare a new medium-term strategy for PFM reforms, with a three-year action plan, updated every 18 months.	End-March 2022	Met		Improve the efficiency and transparency in the use of public resources.
Parliamentary approval of the new anti-corruption law and publication of the accompanying decree clarifying conflict of interest rules and procedures.	End-March 2022	Not met	Parliament approved the new law. Publication of the decree is now targeted for end-July 2022 (new SB).	Reduce corruption, improve governance, and protect public resources.

Table 13b. Republic of Congo: Proposed Structural Benchmarks, 2022–23

Measures	Target date	Macroeconomic Rationale
Publish on the government website the audit (by a reputable international audit firm) of COVID-19-related spending during 2020.	End-June 2022	Improve transparency and governance and protect public resources.
Publish on the government website oil reconciliation reports prepared by a reputable international audit firm and a table with all mining, forestry, and oil concessions holders.	End-June 2022	Improve transparency and protect public resources.
Prepare a template for consolidated and sectoral public procurement plans that is comprehensive and reflects international best practices.	End-June 2022	Improve public investment management, budget credibility and transparency, and cash management.
Prepare a comprehensive medium-term debt management strategy.	End-July 2022	Manage debt-related risks and support fiscal sustainability.
Publication of a decree clarifying conflict of interest rules and procedures.	End-July 2022	Reduce corruption, improve governance, and protect public resources.
Fully operationalize the remaining modules (accounting, cash management, fiscal reporting, treasury, procurement) of the new Expenditure Tracking Software (SIGFIP).	End-December 2022	Improve transparency and governance and protect public resources.
Prepare an inventory of all tax arrears to identify them with precision and establish the probability of recovery.	End-December 2022	Improve tax administration and support domestic revenue mobilization efforts.
Operationalize the procurement planning template by mapping it to the 2023 budget.	End-December 2022	Improve management of public spending (including public investment), budget credibility and transparency, and cash management.
Establish a public register or cadaster system in the mining and forestry sectors.	End-March 2023	Reduce corruption, improve governance, and protect public resources.
Publication on the government website of the 2021 annual debt report, which includes elaboration on guaranteed and unguaranteed debt of the 10 largest SOEs.	End-March 2023	Improve transparency and manage debt-related risks.

Annex I. Drivers of Congo's Fragility

A fragile state (FS) can be defined in many ways. These countries are often characterized by low levels of administrative capacity, limited provision of rule of law and basic services to the population, and high levels of social polarization. As a result, these countries are unable to effectively manage or mitigate risks such as those related to social, economic, political, governance, security, or environmental and climatic factors. Against this backdrop, the IMF has in recent years defined FS as countries having either weak institutional capacity as measured by the World Bank's Country Policy and Institutional Assessment (CPIA) score—with an average of 3.2 or lower (out of a maximum of 6)—and/or having recently experienced conflict (signaled by presence of a United Nations (UN) peacekeeping or peacebuilding operation in the most recent three-year period.) [1, 2]

The Republic of Congo is considered a FS due to challenges in social inclusion and equity, economic and public sector management, and structural policies. Congo's average CPIA score has been around 2.7 since 2017 (well-below the 3.2 threshold) as these challenges, elaborated below, have made it difficult for the country to sustain progress.

Social inclusion and equity are lacking. Access to critical services such as social assistance, banking, health care, and education is low amid high inequality. Congo's ranks 90 out of 105 countries in the Gini Index. Poverty is pervasive, with almost 70 percent of the population living below the poverty line and half the population lacking access to electricity. Financial inclusion is well-below sub-Saharan Africa's average. Maternal and infant mortality rates are high—5 percent of children will not reach their fifth birthday—and only 30 percent of primary school children attain minimum proficiency levels in math and 40 percent in French. More than one fifth of children are also malnourished and there were 700,000 urban food insecure people in 2021.

Heavy reliance on rain-fed agriculture and poor quality and coverage of infrastructure have raised Congo's sensitivity to climate shocks and is raising the number of food insecure. Congo is among the world's 20 most vulnerable countries to climate change (scoring 36 out of 100 in the Notre Dame Global Adaptation Index, 2019). Basic infrastructure to support food security and trade, especially irrigation, storage facilities, and roads are lacking. These factors also hold back broader economic development.

An oil-dependent economic structure leaves the economy vulnerable to fluctuations in both global oil prices and domestic oil production. The oil sector accounts for 80 percent of exports and almost two thirds of fiscal revenues. Over the next decade, oil production is set to decline due to maturing oil fields. Large-scale investment in new oil fields appears unlikely given expectations of reduced global oil demand following the global transition to low-carbon economies.

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[1] The IMF Strategy for Fragile and Conflict-Affected States, March 2022.

[2] This approach is similar to that used by the World Bank, differing only in using a three-year average CPIA instead of the most recent outturn.

Institutional weaknesses have impeded more effective leveraging of oil and other resources into broader-based, higher, more resilient, and inclusive growth. Key challenges lie in the lack of transparency and accountability in the management of public revenues, expenditures, and debt. In recent years, this has resulted in high debt levels, debt service pressures (relative to revenues), and sizeable arrears. More broadly, there is a wide-spread perception of corruption across both the public and private sectors.

Political and security risks, though low, are rising. Public concerns are growing over a lack of social inclusion, rising poverty and food insecurity, poor quality public services, and weak governance. The likelihood of security risks spilling over from Congo's neighbors (Central African Republic, Democratic Republic of Congo) are also rising. Nevertheless, Congo has been relatively conflict-free in recent years. There is currently no UN peacekeeping operation in the country. The 2017 ceasefire agreement between the government and the former civil war "Ninja" militia remains intact. The 2021 Presidential election was completed peacefully.

Annex II. Risk Assessment Matrix[1]

Risks	Likelihood	Impact if Realized	Policy Response
Global risks			
Volatile commodity prices. Continuation of the Russia-Ukraine conflict and escalation of sanctions can lead to even higher oil and food prices. More broadly, there could also be a higher impact from post-pandemic pent-up demand and supply disruptions and accelerated plans for renewable energy adoption. Uncertainty surrounding each of the factors above leads to bouts of volatility, especially in oil prices. Commodity prices could decline with the emergence of new COVID-19 variants.	**High**	**High** Given Congo's dependency on oil revenue and export proceeds, higher than expected commodity prices are an upside risk that could support the fiscal strategy and the external sector, and efforts to diversify the economy. Oil supply disruptions in Congo are a downside risk to watch though as they would negatively affect macroeconomic outcomes. Conversely, lower oil prices and oil revenues would increase fiscal and external vulnerabilities and spillover to non-oil economic activity. Continued food price increases could raise inflation and food insecurity.	Take the opportunity of higher oil prices: (i) to spare financial resources and implement structural measures to diversify the economy, enhance competitiveness, and deepen regional integration; and (ii) implement the reform agenda to reduce vulnerabilities in Congo and increase the capacity of the economy to attract investment. Accelerate mobilization of non-oil revenues and further streamline non-priority spending. Bolster social assistance programs to help the most vulnerable cope with food inflation.
Uncontrolled Covid-19 local outbreaks and subpar/volatile growth in affected countries. Outbreaks in slow-to-vaccinate countries force new lockdowns. For many Emerging Markets and Low-	**Medium/High**	**High** A prolonged outbreak would have a particularly large adverse impact in Congo. The limitations to the health system could result in a large loss of life due to the pandemic. The economy would	Improve public health measures, (including vaccine dissemination, testing capacity), follow WHO guidelines, and strengthen regional cross-border pandemic response.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given current baseline. Structural risks are those that are likely to remain salient over a longer horizon

Risks	Likelihood	Impact if Realized	Policy Response
Income Countries, policy response to cushion the economic impact is constrained by lack of policy space, with some market access countries facing additional financial tightening as a reassessment of growth prospects triggers capital outflows, depreciations, and debt defaults.		be hit hard by increased disruptions in both the oil and non-oil sectors.	Strengthen government fiscal social and health response to the pandemic. Prioritize infrastructure projects with large fiscal multipliers and value-for-money.
Intensified geopolitical tensions and security risks. Geopolitical tensions in selected countries/regions cause economic/political disruption, disorderly migration, higher volatility in commodity prices, and lower confidence, with spillovers to other countries.	**High**	**Medium** Restrictions on the movement of food and basic goods across countries may cause shortages and price increases in Congo. Limited financing inflows may delay investment projects.	Step up efforts to improve the quality of public spending and priorities, as well as improve investment planning and resource management. Stocks/inventories management and improve distribution mechanism.
Lower global demand, owing to higher inflationary pressures and the associated tightening of global financial conditions. Higher commodity prices and increased supply chain disruptions lead to higher inflation and/or inflation expectations, prompting central banks to tighten policies faster than anticipated. The resulted tightening of global financial conditions can weigh on global demand.	**Medium/low**	**Medium/low** With limited fiscal space, this could jeopardize economic recovery and exacerbate debt sustainability pressures.	Continue fiscal and structural reforms to: (i) reduce external imbalances and vulnerabilities; (ii) enhance competitiveness and deepen regional integration; and (iii) improve investor confidence and increase the capacity of the economy to attract investment.

Risks	Likelihood	Impact if Realized	Policy Response
Delayed financing disbursements. Delays in external financing, especially project support, could limit the authorities' ability to implement development plans and pursue broader reforms.	**Medium**	**Medium** Increased debt vulnerabilities, higher social tensions, increased risk premiums and thus the economy may remain in a low growth trap with weak investment.	Create fiscal space through domestic revenue mobilization, prioritization, and efficiency on spending. Improve governance, transparency and accountability and reduce corruption.
Country-specific risks			
Widespread social discontent and political instability. Social tensions erupt as high inflation, the pandemic, and inadequate policy responses cause economic hardship (including unemployment, higher incidence of poverty, and food shortages and higher prices of essentials) and exacerbate preexisting socioeconomic inequities. Growing political polarization and instability weaken policymaking and confidence.	**Medium/ High**	**Medium/ High** Protracted fiscal adjustments. Political uncertainty affects market confidence, private investment, and financing flows, delays economic and policy reforms, and weakens institutions.	Enhance targeted social policies and strengthen social safety nets. Maintain fiscal discipline. Improve governance, transparency and accountability and reduce corruption. Involve CSOs and other stakeholders in policy decisions.
Weak fiscal management. Fiscal policy without effective control of non-priority spending and lack of revenue mobilization and other fiscal reforms. Fiscal shocks from SOEs.	**Medium**	**Medium** Insufficient prioritization of government spending, inconsistent arrears repayment, and an increase in public debt resulting in risks to macroeconomic stability and risks of higher social and political instability and crowding out private credit. Pressure on foreign reserves.	Improve coordination between government ministries to ensure that spending is properly prioritized. Implement TA recommendations on PFM, strengthening cash management and budget execution. Identify additional fiscal measures to create fiscal space for crisis support.

Risks	Likelihood	Impact if Realized	Policy Response
			Implement SOE and governance reforms.
Higher frequency and severity of natural disasters related to climate change. They cause severe damage to the economy disrupting infrastructure, livelihoods, and food production. A sequence of severe events in large economies reduces global GDP and prompts a recalculation of risk and growth prospects. Disasters hitting key infrastructure or disrupting trade raise commodity price levels and volatility.	**Medium**	**Medium/ High** Lower domestic production in the agricultural sector, and negative implications for food security and incomes.	Strengthen food security and rural development programs. Promote investment in climate resilient infrastructure and address infrastructure gaps and income disparities among regions, while establishing appropriate social safety nets.
Slow vaccine rollout. This could increase spread of new variants.	**Medium/ High**	**Medium/ High** Increased loss of lives and greater burden on the healthcare system. Loss of confidence, investment, and worker productivity would weigh on economic growth.	Step up outreach to reduce vaccine hesitancy. Ensure sufficient fiscal space for increasing vaccine supply. Improve capacity of the healthcare system.

Appendix I. Letter of Intent

June 3, 2022

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
U.S.A.

Madam Managing Director:

1. To support the efforts aimed at enabling our country to meet its balance of payments needs, help rebuild the regional foreign exchange reserves, and restore the conditions for more vigorous growth, the Government of the Republic of Congo continues to implement its economic and financial program supported by a three-year arrangement under the International Monetary Fund's Extended Credit Facility (ECF). This program is being implemented under the new National Development Plan (PND) for 2022–26, as the country continues to face serious health and economic challenges.

2. Our country continues to be affected by the global Covid-19 pandemic at a time when our underlying fiscal position is weak, our debt levels are high, and food and fuel prices are rising in response to the war in Ukraine. Nevertheless, the economy is showing signs of recovery as some pandemic restrictions are lifted, the vaccine rollout continues, social assistance for the most impoverished is increasing, and domestic arrears are being repaid. This trend has been reinforced by the recent uptick in oil prices as a result of the war in Ukraine and the production increase projected for 2022. This recovery remains fragile, however, with the outlook surrounded by significant uncertainty and poverty rising as a result of the pandemic and higher prices for imports, particularly cereals and other food products.

3. Our country's macroeconomic performance under the three-year ECF arrangement has been satisfactory. We have met all the quantitative criteria for end-February 2022, and four of the five indicative targets have also been met. The indicative target on social spending was not met.

4. We have also made progress with our structural reforms. The structural benchmark on the new medium-term strategy for public financial management reform was met by end-March 2022. The strategy had been finalized in December 2021 and the related three-year action plan was prepared by end-March 2022. The second structural benchmark for end-March

2022 was not met, but its most important element was implemented by the deadline. In February 2022, Parliament adopted a new anticorruption law, which was enacted in March 2022. Owing to the prolonged debate on the law, publication of the decree containing the rules and procedures regarding conflicts of interest was delayed. With the help of technical assistance from IMF staff, we will prepare and publish this decree by end-July 2022.

5. The attached Memorandum of Economic and Financial Policies (MEFP), which supplements the memorandum signed on January 10, 2022, describes the recent economic and financial developments, presents the economic and financial policies that the government intends to implement during 2022–24 and defines the quantitative criteria, indicative targets and structural benchmarks through to end-March 2023. Disbursements under the arrangement will be subject to observance of the performance criteria and structural benchmarks shown in Tables 1 and 2 of the attached MEFP.

6. These economic and financial policies continue to provide a robust macroeconomic framework that promotes the mobilization of financing from development partners, strengthen public institutions and good governance, combat corruption, and increase the resources allocated to protection of the most vulnerable segments of the population, including to better tackle the food and energy crisis.

7. We are continuing our efforts to ensure better coordination of economic policies with the other CEMAC countries in the context of the regional reform program (PREF-CEMAC). These reforms aim to create job opportunities in the member countries and ultimately improve the standard of living of a fast-growing population through (i) deep structural reforms to radically transform and diversify the economy of the region; (ii) continued support for the regional institutions and reduced dependence of the CEMAC countries on commodities; (iii) reforms aimed at improving transparency in public finances and the oil and gas sector; (iv) policies to promote domestic revenue mobilization; (v) measures to strengthen governance; and (vi) reforms that promote development of the private sector.

8. Since implementing the program supported by the ECF arrangement, we have shared documentation for monitoring purposes and the appropriate reports on COVID-19-related spending with the IMF. We also provide the IMF with data on use of the recent increase in our SDR allocation for social and priority spending (particularly in the areas of education and health) in accordance with the framework adopted at the CEMAC subregional level.

9. The government continues to implement policies compatible with regional external stability, which requires the rebuilding of BEAC's foreign exchange reserves, specifically by respecting the requirement to repatriate oil export proceeds. To this end, the government supports the efforts of BEAC and COBAC on the strict application of the new foreign exchange regulations.

10. We believe that the economic and financial policies set out in the MEFP will enable us to achieve the objectives that we have set under the program. However, we stand ready to take any further measures that may prove necessary to that end. The government will consult with the IMF when adopting such measures and before revising any policies contained in the MEFP, in accordance with the policies on such consultations.

11. Bearing in mind the program achievements to date and the commitments set out in the MEFP, we are requesting (i) amendment of the quantitative criteria on the basic non-oil primary fiscal balance and net domestic financing of the central government for end-June 2022; and (ii) a disbursement equivalent to SDR 64.8 million (or 40 percent of our quota). This disbursement will enable us to continue to respond to our immediate and future balance of payments needs and will support our reform program. It will also support our efforts to achieve more resilient and sustainable economic growth and sustainably reduce poverty, while strengthening governance, transparency, and anti-corruption measures.

12. The government commits to providing the IMF with information on implementation of the agreed measures and execution of the program, as provided in the attached Technical Memorandum of Understanding (TMU). In addition, the government authorizes the IMF to publish this letter and its attachments, as well as the staff report and debt sustainability analysis, once the program has been approved by the IMF Executive Board.

/s/	/s/
Anatole Collinet Makosso Prime Minister, Head of the Government Brazzaville, Republic of Congo	Rigobert Roger Andely Minister of Finance and Budget Brazzaville, Republic of Congo

Attachments:

– Memorandum of Economic and Financial Policies (MEFP)

– Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies, 2022–24

This memorandum describes recent economic developments, the outlook for 2022 and the medium term, and program objectives and the policies and measures to achieve them.

I. BACKGROUND, RECENT ECONOMIC DEVELOPMENTS, AND OUTLOOK

1. **In 2021, the Congolese economy continued to feel the strong impact of the COVID-19 pandemic.** Economic growth remained negative in 2021 (-0.6 percent) as insufficient investment by large oil producers during the pandemic translated into lower production. Non-oil real GDP recovered (with 3.6 percent growth), supported by agricultural and mining expansion, improved services activity, increased social spending, and domestic arrears payments (though a significant stock of arrears remains to be repaid in future years). The non-oil primary deficit increased to 17.3 percent of non-oil GDP due to an increase in pandemic-related spending and a shortfall in external financing (such as grants). External accounts showed a mixed performance as the improved current account balance was compensated by large public sector debt service to external private and official creditors, as well as public and private sector debt service to regional commercial banks. Inflation remained subdued at 2 percent although food inflation rose. Banking sector vulnerabilities continued to decline owing to the repayment of domestic arrears. Non-performing loans remained around 17 percent in 2021 after a large decline in 2020.

2. **In 2022, the macroeconomic performance is expected to improve.** Congo's economy is expected to benefit from a recovery of non-oil activity and higher oil prices. Real GDP growth is projected to gain momentum (4.3 percent) as: (i) the resumption of oil-related investment leads to an increase of production, (ii) positive spillovers from high oil revenues, improved agriculture activity, on-streaming of potash and iron ore mines, and continued vaccine rollout translate into higher non-oil growth activity. Average inflation is projected to accelerate, driven by higher demand for goods and services and increased food price pressures. Both fiscal and external positions are expected to improve thanks to higher oil revenues. Greater oil revenues will help service the large amount of debt due in 2022 and, combined with financial support from the IMF and development partners will finance: (i) the rise of the food import bill, (ii) the rise of imports related to economic growth recovery, and (iii) building of buffers through an increase of FX reserves.

3. **In the medium term, the implementation of structural reforms envisaged in our National Development Plan will be critical to reducing our economy's fragility through job creation and higher incomes, especially for the poor.** Real GDP growth would average 3.5 percent during 2023–27, driven by healthy expansion of the non-oil sector (reaching 5 percent by 2026–27). Economic diversification is expected to accelerate on the back of higher social spending (in healthcare and education) and reforms in governance, the financial sector, and the business environment. Oil production is projected to decrease after peaking in 2024 due to maturing of the main oil fields. The fiscal situation is anticipated to improve owing to improved domestic revenue mobilization, prudent spending, and the repayment of domestic arrears. The external sector may experience some pressures as reduced oil exports and increased imports (linked to higher non-oil

growth performance) result in a current account deficit by 2027. These pressures will likely be mitigated by a gradual rise in non-oil exports and foreign direct investment as we progress in implementing our economic diversification strategy. Average medium-term inflation is expected to remain within 3 percent (consistent with CEMAC inflation targets).

4. **Risks to the outlook remain elevated.** Key risks could stem from: (i) the intensification of the war in Ukraine which would add to commodity price volatility, transportation and import costs, trade flows, remittances, foreign investment, and inflation; (ii) lower oil prices and disruption in oil production; (iii) renewed pandemic related risks due to slow vaccine rollout and new variants; (iv) adverse weather shocks raising food insecurity and inflationary pressures; and (v) weak implementation of reforms. On the upside, accelerated reform implementation supported by development partners and higher metal prices are expected to have a positive impact on investment and economic growth. Higher oil prices would benefit exports and could result in an increase of oil field investment.

II. ECONOMIC AND FINANCIAL PROGRAM FOR 2022–24

5. **As part of our National Development Plan, we are committed to implementing a strong and ambitious economic program that will facilitate Congo's exit from fragility.** The past seven consecutive years of recession have weighed heavily on incomes and increased poverty. We are also facing further challenges from the immediate consequences of the war in Ukraine, more frequent and intense climate change shocks, and reduced long-term global oil demand stemming from the global transition to low-carbon economies. Tackling these challenges and exiting fragility will require a structural economic transformation, centered around economic diversification and resilience to climate change. This transformation should result in more jobs and higher, more resilient, and inclusive growth.

6. **To this end, Congo's ECF-supported program continues to be built on:** (i) reinforcing the economy's resilience to adverse shocks through increased infrastructure and social spending, in line with the National Development Plan 2022–26, while undertaking fiscal consolidation through revenue mobilization and spending reprioritization; (ii) resolution of external arrears; (iii) strengthened public investment and debt management, which combined with fiscal consolidation and arrears payments, will reduce debt vulnerabilities; and (iv) effective implementation of governance, transparency, and supply-side structural reforms promoting green non-oil economic growth. The program continues to be supported by the regional monetary policy and by our technical and financial partners.

A. Fiscal Policy

7. **Fiscal policy will carefully balance safeguarding debt sustainability while increasing spending that is critical to reducing poverty and boosting economic diversification, resilience, and growth.**

8. **The medium-term fiscal stance will be anchored on gradual consolidation of the non-oil primary balance by 4 percent of non-oil GDP (or 2 percent of GDP) between 2021 and 2027.** High oil revenues are anticipated to result in positive overall primary balance surpluses that

will enable repayment of both external debt and domestic arrears. Overall public debt-to-GDP is expected to gradually decline from 104 percent in 2021 to 68 percent by 2027. Risks, including from negative oil price shocks, are largely mitigated by restructured payments to the two largest external commercial creditors being tied to oil prices (supporting the robustness of debt sustainability); and the availability of financing from the Congolese financial markets.

9. Recently, we concluded several bilateral agreements on arrears payments. Agreements have been reached with Belgium (for arrears not covered under the DSSI), Libya, and Switzerland. Agreements in principle have been reached on repayments to Brazil (for arrears not covered by the DSSI) and Russia. We are engaged in discussions with China and India's Exim Bank on resolution of arrears owed to them. The government is committed to the non-accumulation of domestic or external arrears. To this end, we will (i) set up a dedicated sub-account within the single treasury account at BEAC and discuss with development partners (AfDB, France, and World Bank) ways to ensure their disbursements are timely; and (ii) ensure that spending is undertaken in accordance with the rules governing sound public financial management, with a view to stopping the practice of procuring outside the budget (¶15). We will continue our efforts, including in court, to find solutions that put an end to disputes relating to certain external debts with the aim of eliminating all uncertainties concerning the level of our public debt.

10. Our 2022 budget envisages fiscal consolidation while increasing social and capital spending. After accounting for measures to mitigate the consequences of high inflation, the non-oil primary balance target is -15.3 percent of non-oil GDP, which translates into a primary balance target of 10.2 percent of GDP. The 2022 budget rests on the principle of mobilizing revenues and rationalizing non-priority spending by:

- Using part of the oil revenue windfalls[1] in 2022 to finance the following measures to mitigate the consequences of high inflation: (i) increase targeted social assistance under the emergency cash transfer program, where the program will be expanded to serve 300,000 beneficiaries; (ii) continue tax deferrals initiated in 2021 to mitigate the effects of the pandemic (but certain tax deferrals applied in 2021 and already ended in 2022 will not be renewed); (iii) maintain low VAT rates and customs duties on essential food imports. The rest of the oil revenue windfalls will be fully saved as government deposits at BEAC.

- Continuing to firmly apply tax policies and revenue administration reforms adopted over the past three years. These include more efficient tax collection owing to e-tax and other customs and revenue administration measures; the implementation of a one-stop-shop for customs clearance of goods at the port of Pointe-Noire; continuing to phase out CIT exemptions for violating investment conventions; and continuing to apply the 2 percent export tax on certain non-petroleum exports (e.g., diamonds, other precious metals and logs (up to 9–10 percent)).

[1] Oil revenue windfalls are defined as oil revenues exceeding their projected amounts (in IMF Country Report 22/49) net of additional external debt payments exceeding their projected amounts (in IMF Country Report 22/49).

- Increasing tax arrears collection to at least CFAF 5 billion in 2022. This would be implemented through a "tax amnesty" program that forgives part of a taxpayer's existing tax arrears in exchange for payment of the rest during 2022–24.

- Expanding the tax base for land tax through the use a more comprehensive land survey (yielding CFAF 2 billion in 2022).

- Reducing customs exemptions rates for certain beneficiaries and eliminating exemptions for others (yielding CFAF 4 billion).

- Continuing to actively pursue negotiations with oil producers on new conventions for tax concessions, which we aim to finalize in 2022. We are seeking to maintain import duties at 8.65 percent on certain imports associated with the petroleum sector and to introduce the single payroll tax at 2.5 percent for the petroleum sector. In addition, we will increase electronic transfer taxes and turnover taxes.

- Improving collection of non-tax revenues by reallocating existing staff to allow for more collection agents in the Ministries (CFAF 2 billion).

- The positive effects of the above on non-oil revenues will more than offset the likely reduction in non-oil revenues from retaining the reduction in the turnover tax (reduced in 2021 from 7 to 5 percent for turnover under CFAF 100 million) and the cut in the corporate tax rate from 30 to 28 percent in 2021.

- Continuing to implement reforms adopted in 2019 that reduce transfers and subsidies to inefficient SOEs, especially CORAF and CEC.

- Containing the wage bill by ceasing automatic replacement of retired staff (except those in the health, education and social affairs ministries) and controlling public sector hiring.

- Promoting transparency in use of the 2021 SDR allocation through regular monitoring and reporting.

- Prohibiting tax incentives in forestry.

11. Our government is committed to increasing spending on health, education, social assistance, and resilient infrastructure. Part of this critical development spending is being financed by the 2021 SDR allocation. The 2022 budget continues to emphasize improving the quality and coverage of this spending while encouraging innovation**.**

- In terms of health, we are prioritizing (i) direct pandemic-related health spending, including treatment (creating new facilities and purchasing more equipment such as ventilators) and vaccination—where we plan to vaccinate 3,600,000 people during 2022 but this target may be difficult to fulfill, despite our outreach efforts, due to vaccine hesitancy especially in the context of declining numbers of new cases; (ii) completing the construction of new hospitals; (iii) acquiring drugs against AIDS; (iv) distributing treatments preventing tuberculosis and malaria; and (v) providing prenatal, maternal and childcare. Total health spending is expected at around 4 percent of non-oil GDP in 2022 (a slight improvement compared to 2021).

- In education, we continue to focus on all levels of schooling but we are providing free school supplies, textbooks, and school meals only for primary school. We are continuing to rebuild educational facilities heavily damaged by extreme storms and floods in 2021. Education spending is expected to remain around 1 percent of non-oil GDP in 2022 (a slight improvement compared to 2021).

- In terms of social protection, we are disbursing up to CFAF 183 billion (3.8 percent of non-oil GDP), including the emergency cash transfer program linked to the pandemic. This program will also be used to support households facing food insecurity due to rapidly rising food prices (¶10). The program's coverage will be increased from 230,000 beneficiaries to 300,000 by the end of 2022; and we will continue to expand the Single Social Register (SSR), which has already reached 800,000 beneficiaries. The anchoring of social programs and other social assistance structures to SSR has become mandatory in order to improve targeting and the impact of these programs. The piloting of mobile payments has so far been successful, and we plan to expand the pilot. We will also prioritize early repayment of social sector arrears (in particular pensions).

- Capital spending is expected to increase to 7.2 percent of non-oil GDP in 2022 and to 8.6 percent of non-oil GDP in 2023, partly financed by development partners. Priority development projects will be aligned with the new National Development Plan 2022–26. The sectors of agriculture (including agroforestry), roads, electricity, health care, education, and urban water, sanitation, and transport will be prioritized. In addition, efforts to build a solid foundation for the structural transformation of our economy will lead to the pursuit of programs to promote tourism, industry, the digital economy and special economic zones.

12. We will continue to steadily repay domestic arrears, aiming to complete all repayments by end-2031. Over the past decade, the government accumulated 23 percent of GDP in domestic arrears to the private sector (mainly suppliers). On-going audits (by an international firm) of the government's domestic debt associated with Treasury obligations for 2019–20 will add to this stock. The government has published (on the government website) the audit report for 2017–18; and the audit report for 2019–20 will be published by end-2022. So far, 6 percent of GDP in past domestic arrears have been repaid through the Club de Brazzaville, where the private sector received a nominal haircut of 15–30 percent and there was no haircut on social arrears. In 2022, we are no longer using the Club de Brazzaville. The government has already settled CFAF 201 billion of social arrears (CNSS pension fund) financed by issuing government securities on the regional financial market; and the government expects to settle another CFAF 201 billion of domestic arrears during 2022, of which CFAF 100 billion will be settled with the other major pension fund (CRF), CFAF 1 billion to resolve any remaining arrears to small suppliers, and the rest to pay a part of other commercial arrears. These domestic arrears payments will depend on the availability of finances, where the bulk of these arrears are planned to be paid in 2022H2. From 2023, a new domestic arrears repayment scheme will be implemented. It is likely to involve (i) prioritizing the payment of social arrears, allocating 50 percent of domestic arrears payments each year for this; and (ii) applying the remaining 50 percent of domestic arrears payments each year towards paying commercial (non-social sector) arrears with a menu of repayment options ranging from a 50–70 percent haircut and immediate cash payment to a 25–35 percent haircut with payment in 2–4 years. Implementation of this new repayment scheme will depend on availability of financing.

13. Over the medium term, we plan to continue pursuing the fiscal strategy outlined above. Specifically, we will aim to reduce the non-oil primary fiscal deficit from 17 to 13 percent of non-oil GDP during 2021–27. In support of this objective while also increasing social and capital spending, during 2022–24, we will undertake the following measures to enhance revenues and reduce non-priority spending (in addition to continuing the measures applied in the 2022 budget):

- Actively continue to pursue collection of tax arrears. To this end, we are committed to undertaking an inventory of all tax arrears to identify with precision the probable amounts of recovery by end-2022 (structural benchmark). As a first step, a committee has been established to undertake this task and has begun its operations, including preparing a proposal for recovery strategies and planning for initiating the collection process in mid-May 2022. For the future, we are committed to putting in place effective procedures for monitoring tax arrears and for their systematic collection. By capitalizing on the benefits of digitalization on revenue administration, we expect to reduce delays in tax payments.

- Broaden the tax base by applying the enterprise census (expected to be concluded by end-2022), remove VAT exemptions worth at least 1 percent of non-oil GDP, and streamline other tax exemptions worth at least 3 percent of non-oil GDP. As an initial step, we will develop a medium-term strategy and action plan that covers the analysis, publication, and budget implications of all tax exemptions (end-September 2022). We will also undertake an analysis of CIT exemptions under the investment conventions by end-December 2022, with a view to phasing them out beginning in 2023.

- Ensure full functioning of the new department in charge of collecting service and portfolio revenue by end-June 2023, at the latest. With assistance from the World Bank, we will implement customs reform resulting in a one-stop customs window at Pointe Noire by end-June 2023.

- In line with CEMAC guidelines, increase excise duties on tobacco (from 16.5 to 30 percent, after the recent increase from 12.5 to 16.5 percent) and alcohol (from 12.5 to 25 percent after the recent increase from 10 to 12.5 percent), vehicles (12.5 percent) and luxury items (25 percent).

- Gradually phase out pandemic-related deferral of tax and duty payments (yielding CFAF 2 billion in 2023).

- Transfers and subsidies to SOEs will continue to be reduced and we will continue to augment the transparency of SOE operations.

- By end-September 2022, complete an expanded analysis of the financial status of decentralized government units and public enterprises—including all SOEs, PPPs, and public banks—to better understand medium-term fiscal risks, identify vulnerabilities, and facilitate monitoring.

- During 2023–27, 2.3 percent of non-oil GDP per year in oil windfalls or net external assistance that exceed expectations will be applied toward social spending, domestic arrears payments, and compensating for shortfalls or delays of external financing. The remaining oil windfall or net external assistance exceeding expectations, will be used to strengthen government deposits at the BEAC—building buffers against future shocks. Should revenues (including from oil) fall short or other fiscal risks be realized, we will slow arrears repayments.

B. Public Investment and Debt Management

14. The government is committed to improving public investment management, which is fundamental to avoiding accumulation of new arrears and improving the efficiency and effectiveness of public spending.

15. We will only procure projects that are in the budget. To this end, we will develop a comprehensive template for consolidated and sectoral public procurement plans by end-June 2022 (structural benchmark)—where we are working closely with IMF and World Bank experts to ensure proper coordination across departments (including IT) in both the development and implementation of the template. The template will be rolled out to ministries and agencies in the third quarter of 2022 and the filled-in template will be mapped to the 2023 budget by end-2022 (structural benchmark). The budget law for 2023 will explicitly state that procurement cannot take place outside the template, with the exception of emergency items that are approved by the Minister of Finance before the procurement is initiated.

16. Current project planning methods will be upgraded and systematized. With the support of IMF technical assistance during 2022, we will develop a medium-term public investment plan that prioritizes projects based on considerations such as the National Development Plan 2022–26 and the need for economic diversification, international commitments—such as the SDGs, the 2023 African Union Agenda, and the CEMAC's regional economic program—and cost-benefit analysis. Training will also be provided to our staff to develop their capacity to prepare and implement the medium-term investment plan.

17. We will improve the efficiency of public investment implementation, especially given large infrastructure spending needs. Here, among other efforts, we will review the survey on the efficiency of past investment projects (those launched since 2014), which is being supported by the World Bank. Once the survey is finalized (by end-2022), we will create an action plan to improve the effectiveness of public investment, including facilitating project implementation early in the fiscal year (e.g., opening of accounts, allocations of spending credits).

18. We will advance prudent debt management and the level of debt transparency to help enhance debt sustainability. The government will exclusively use concessional external loans for the duration of the program—except the low-interest and extended maturity loans from the World Bank (IDA) and all budget support loans identified under the program (including from the World Bank)—and the government will seek refinancing in regional and national markets for previously issued securities and to cover short-term liquidity needs. Neither the central government nor parties acting on behalf of the central government will contract any new external debt guaranteed with future natural resource deliveries—including any new oil-for-infrastructure pre-financing agreements. We also pledge to continue fiscal consolidation efforts should further debt or contingent liabilities materialize. The government has concluded and is implementing debt restructuring agreements with all the main oil traders. Repayment of arrears to oil traders, which were accumulated as part of the negotiation process, are now part of the restructured debt payments.

19. By end-July 2022, we will develop a comprehensive medium-term debt management strategy, covering 2023-25. This strategy will aim to (i) finance the needs of the State at a lower cost while maintaining debt risks at acceptable levels; and (ii) contribute to the development of the domestic and regional market for government securities (structural benchmark). A first version of this strategy, covering 2022-24, is being updated to incorporate feedback from IMF technical assistance.

20. To strengthen the credibility of the debt management strategy and improve coordination between debt managers and the budget authorities, we will begin publishing the borrowing plan for the upcoming budget year as an annex to the budget presented to Parliament (as required by regional regulations). Specifically, the borrowing plan will be an annex to the 2023 budget (by end-December 2022) and, in addition to government securities, it will provide information for each category of debt instrument (or lender for external borrowing) and the nominal borrowing amount (on cash basis) for the fiscal year 2023.

21. We are also committed to creating a comprehensive single debt database that is regularly updated and spans domestic and external debt, guaranteed and unguaranteed debt, and the debt of all public enterprises, public institutions and local governments. This database will be the responsibility of the Caisse Congolaise d'Amortissement (CCA). By end-June 2022, we intend to have the CCA cover all central government debt (domestic, external, guaranteed and unguaranteed debt), all local government and public institution debt, and the debt of the 10 largest SOEs. In support of this effort, a ministerial order was issued at end-November 2021, instructing the 10 largest SOEs to provide data on their guaranteed and non-guaranteed debt to CCA in December and June of each year. While an initial round of data was received at end-2021, we are working with the SOEs to obtain more details on the composition of their debt.

22. By end-December 2022, we will also review the organizational structure of the CCA and adopt relevant decrees to improve its effectiveness, in line with the recommendations of the June 2019 IMF technical assistance report. This will include a review of CCA's legal framework to ensure that it is the main structure for public debt management; a review of the organizational chart of the CCA to reflect best practices in the organization of a debt management office; and strengthen the functioning of the Committee National de la Dette Public and the structure underlying coordination between the Treasury and the CCA in the context of the issuance of public securities on the CEMAC regional market.

23. We will enhance the reliability and transparency of public debt information. This will be achieved by (i) better recording of debt data; (ii) quarterly publication of data on outstanding stock and composition of public debt by creditor (central government debt, contingent liabilities) including their currency denomination, maturity, interest rate structure, and debt service projection; (iii) annual publication on the government website of an annual debt report which, among other information, elaborates on guaranteed and unguaranteed debt of the 10 largest SOEs—beginning with publication of the 2021 report by end-March 2023 (structural benchmark); (iv) annual projections of domestic and external debt trends (guaranteed and unguaranteed) of public enterprises, public institutions and local authorities; (v) and better coordination and better information sharing between the agencies concerned, as recommended by IMF technical assistance.

C. Safeguarding and Improving Use of Energy Resources

24. We plan to continue substantive energy sector reforms that are critical for improving governance, reducing contingent liabilities of energy sector SOEs, mobilizing revenues, and rationalizing spending.

25. After carrying out a feasibility study, we will take measures aimed at the application of "true" oil prices in the "fuels" sector, with a view to reducing subsidies to CORAF and CEC. We will also publish the audit reports of these two companies for year n, before the end of year n+1. Payments to the oil sector, which include CORAF and CEC, will be limited to a net of CFAF 77 billion in 2022, which is less than CFAF 91 billion in 2021. In 2022, any amount of these transfers that exceed CFAF 77 billion will be financed by advances from Société Nationale des Pétroles du Congo (SNPC) on 2021 dividends. To this end, the government has:

- Concluded a performance contract with CORAF focused on efforts to reduce operating costs and undertake only prudent investments, payment by CORAF of the crude made available to it by the State in the Single Treasury Account (TSA), sale by CORAF of petroleum products directly to distribution companies, recovery by CORAF from distribution companies of revenues from the sale of petroleum products, and a quarterly review by the ministries in charge of finance, trade and hydrocarbons of the parameters for controlling the pricing mechanism for finished petroleum products;

- Conditioned the payment of the subsidy to the CEC on the basis of quarterly reporting of expenditures to justify the subsidy and CEC's turnover, including claims from the energy sector.

26. We will develop an action plan for the next phase of reforms aimed at reducing transfers and subsidies. Key elements will include: (i) a study to determine production costs; (ii) improving the electricity billing process and coverage to reflect actual electricity consumption with a view to recovering production costs; (iii) implementing the 2005 price-based regulatory framework for fuel prices and ensuring sufficient social assistance to mitigate the impact on vulnerable groups; and (iv) enforcing full payment by CORAF for the oil it purchases from the government and full payment of dividends by large SOEs such as SNPC—where CORAF already began partial payments for its oil purchases in 2021 and SNPC is expected to pay dividends for 2020 by end-June 2022.

27. To improve transparency and revenues in the oil sector:

- We have hired an internationally renowned audit company to produce reports reconciling oil flows that should be accrued to the State. Specifically, the reconciliation is between the amount of oil that the State should receive based on production sharing agreements and the value of oil revenues actually registered to the budget. The government will continue to publish a table listing all of the holders of natural resource concessions (including mining, forestry, and oil concessions) and will also publish the oil flow reconciliation report on the government website by end-June 2022 (structural benchmark).

- Continue to have audits (conducted by internationally renowned audit companies) of the petroleum costs declared by petroleum companies under their respective production-sharing agreements. We will also take stock of the currently VAT levied on petroleum products and ensure its full remittance to the State.

- Conduct a comprehensive review of the oil sector fiscal regime by end-October 2022. We will agree with the IMF on terms of reference for this review, which will be supported by IMF technical assistance. On the basis of the review's results, we will develop an action plan to raise oil-related fiscal revenues, starting from the 2023. To this end, we will incorporate specific measures in the 2023 budget. The action plan referenced above will aim to: (i) reduce the deficit in the downstream oil sub-sector, including implicit VAT subsidies incorporated in regulated fuel prices that are not fully channeled to the State; (ii) develop a pricing policy for petroleum products while protecting the most vulnerable; (iii) improve the performance of CORAF with a view to reducing public subsidies in the downstream oil sub-sector; and (iv) estimate gains arising from the elimination of preferential VAT rates on imports under agreed investment conventions, improved implementation of VAT on domestic and imported refined petroleum products (where the legislation is only partially applied) and broadening the base to which VAT on refined petroleum products is applied (i.e., expanding it beyond the services portion of the production chain).

- If needed, we may also request Fund technical assistance on best practices in natural resource management.

D. Public Financial Management and Governance Reforms

28. We will continue to implement reforms to improve public financial management and management of fiscal risks.

- By end-September 2022, the law on allocation, organization and functioning of the Court of Accounts and Budgetary Discipline (CABD) as well as its implementing regulations will be adopted by Parliament. As a result, the CABD's capacity and independence will be strengthened.

- With the help of IMF technical assistance provided in November 2021, the government has developed a new medium-term strategy for PFM reforms (building off an existing draft strategy). A comprehensive 3-year action plan has also been developed and will be updated every 18 months. This will provide a roadmap for future reforms, including a comprehensive timetable of actions and reforms.

- By end-September 2023, we will develop and implement a legal and regulatory framework for public private partnerships (PPPs) that is consistent with international best practices.

- To improve budget execution, in line with CEMAC regulations, we have operationalized a committee that is monitoring, updating, and coordinating the application of the cash flow plan with the consolidated commitment plan based on the budget (and, from 2023, with the comprehensive procurement plan and template). This committee includes only representatives of the Ministry of Finance; and meets on a weekly basis to update the Treasury's cash flow plans and monthly for all other matters. We will also ensure that the commitment plan and the cash flow plan are consistent and that all ministries, under the supervision of the General Budget Directorate, provide their procurement and commitment plans, thus improving reliability of the cash flow plan.

- We are implementing the new organizational chart of the Ministry of Finance and it will become fully functional by July 2022. The general directorates of Treasury and public accounting have been combined. The associated regulatory and legal frameworks have been updated and we have created a modernization unit.

- We are committed to improving the architecture of the Treasury Single Account (TSA) at the central bank. To this end, (i) by end-2022, we will prepare a complete list of all public accounts (central government and public entities) remaining in commercial banks with a view to closing them after transferring the associated deposits to the BEAC; and (ii) we will ensure the automatic transfer of revenues from sales of oil exports and of resources from public entities into the TSA—which will begin after the related convention between the BEAC and the Treasury is finalized (expected by end-September 2022). These actions should lead to improved Treasury services and facilitate proper payment execution. They will also be included in the PFM reform strategy. We will also ensure that the free resources in the government's escrow account in China are regularly repatriated into the TSA.

- To ensure better monitoring of payments and receipts, we will ensure the interconnection of information management systems used by customs offices (ASYCUDA), tax authorities (E-TAX), and Treasury before end-June 2022.

29. The government is transitioning to an improved version of the Financial Management Information System (SIGFIP) to support more transparent application of public expenditure commitments and better control of public revenues. The budget preparation and execution modules of SIGFIP (key elements of the transition of the expenditure chain to the new system) became operational from end-2021; and the remaining modules (accounting, cash management, fiscal reporting, treasury, procurement) are targeted to become operational by end-December 2022 (structural benchmark). The operationalization of SIGFIP combined with the interconnection of other information management systems (such as the systems used by the customs and tax administrations as well as the Treasury) will enable comprehensive monitoring of public revenue collection (oil and non-oil) and the execution of public spending (the full expenditure chain). To assist with the implementation of the new system, the IMF provided technical assistance in August and November 2021, which supported development of an action plan related to SIGFIP implementation. The government is committed to implementing this SIGFIP action plan. To ensure proper implementation of SIGFIP, the government is providing adequate infrastructure (electricity, internet) and is setting up processes for regular communications across relevant departments, providing training, and performing adequate testing of the new SIGFIP.

30. To ensure full transparency of emergency spending during the pandemic, the government continues to commit to the following measures. We will (i) post on the government website the full text of all procurement contracts related to COVID-19 spending (with names and nationalities of beneficial owners of awarded legal persons) within 60 days of their award for contracts awarded after December 31, 2021; and (ii) by end-June 2022 for all contracts awarded before December 31, 2021. We will undertake and post on the government website ex-post reports on the delivery of COVID-19 related contracts, within 90 days of completion dates (where completed after December 31, 2021) and by end-June 2022 (for all spending completed during 2021). We have hired a reputable third-party internationally renowned audit company to audit all COVID-19 related purchases and expenses contracted in fiscal years 2020 and 2021. The audit results for 2020 will be posted on the government website by end-June 2022 (structural benchmark); and those for 2021 will be posted by end-December 2022. The audits will focus not only on the financial aspects of procurement, but also on compliance with applicable procurement regulations.

31. We recognize that in order to produce sustainable and inclusive growth of our economy, it is essential for us to continue to improve governance and transparency while combatting corruption. The government has already taken bold and significant steps to address significant and substantial governance weaknesses and corruption vulnerabilities. These include the conclusion, in consultation with Fund staff, and publication of a comprehensive diagnostic report on governance and corruption in 2018, the reinforcement of our anti-corruption legal architecture, and steps to improve governance in the oil sector. We have also begun to comprehensively improve transparency and our commitment to transparency will help to address corruption vulnerabilities, which constitutes a necessary precondition to improving the business climate. For example, we have published the 2018 and 2019 reports of the Extractive Industries Transparency Initiative (EITI); and we are committed to publishing the 2020 EITI report by end-2022. We will further improve our natural resource management by establishing a public register or cadaster system in the mining and forestry sectors by end-March 2023 (structural benchmark), which will support our efforts to investigate environmental crimes (poaching, illegal logging, trafficking of wildlife and wood products) and related money laundering. To further improve governance, we will by end-June 2023 conduct analysis of the implementation of measures committed to in our 2018 diagnostic report on governance and identify areas for further improvement. This effort will be supported by IMF technical assistance on areas related to AML/CFT and build upon recommendations from Congo's Mutual Evaluation Report which will be published in the coming months.

32. We have substantially improved our anti-corruption architecture. A new anti-corruption law was passed by Parliament in February 2022 and enacted in March 2022. This new law is integral to meeting our obligations under the United Nations Convention Against Corruption (UNCAC), particularly in relation to the criminalization of corruption offences, and other international obligations undertaken by Congo. With support from IMF technical assistance, by end-July 2022, we will finalize and publish the decree dealing with the conflict-of-interest rules and procedures envisaged in the anti-corruption law, where the decree will fully comply with the requirements of the UNCAC and best international practices (structural benchmark). Our new anti-corruption commission, the High Authority for the Fight against Corruption (HALC), is now operational. We are committed to ensuring its full independence, and to making sure that it receives the necessary budgetary allocations to perform its functions. We will publish all reports of the HALC on the government website within 5 days of their provision to the government. We will also ensure that full statistics in respect of the work of the HALC are published on a quarterly basis on the government website, and the Ministry of Justice will publish, on a quarterly basis, statistics of all indictments and convictions for corruption-related offences. To develop a comprehensive jurisprudence, the full text of all judgments in corruption related cases will be published within 30 days of the judgment.

33. We have operationalized the requirement that high-level members of the government disclose their assets to the Supreme Court. We enacted a law in 2018 that gives effect to the constitutional requirement that high-level officials declare their assets. We will work with Fund staff to revise this law to align it with international good practice to ensure that our asset declaration regime can contribute to the fight against corruption. We will, in the meantime, rigorously ensure that all officials covered by the existing law fully comply with their obligations.

34. The government is making strides in advancing transparency.

- We have enshrined in the law on transparency the creation of a committee responsible for its implementation. We will ensure that the committee, which includes civil society representatives, is equipped with the necessary resources to perform its functions. We will also ensure that all parts of our administration cooperate fully with the committee and that the transparency law is fully implemented. All information which is required to be made public under the transparency law will be published on the government website.

- We have published on the government website: all final reports of the Inspection General of Finance (IGF) for the period 2011-2020; all final 2020 reports of the National Accounts Commission (CNC); a list of companies and public institutions that have not provided appropriate access for carrying out audits, as well as those that are slow in meeting their financial obligations to the CNC; and the list of companies and public entities that are not under the purview of the CNC.

- All reports finalized by the Cours des Comptes will be published on the government website within 30 days of being finalized.

35. The government supports the widespread dissemination of information on court proceedings and the functioning of law enforcement institutions. To this end, we are publishing on the official website (i) for each court (magistracy), the number of sitting judges, the staff in office and the number of vacant positions, and for each service (prosecution), the number of prosecutors and staff, as well as the number of vacant posts; (ii) the number of cases relating to corruption, AML/CFT, insolvency, foreclosures and land for 2015–20; and (iii) all decisions of the Supreme Court.

E. Broader Structural Reforms

36. Improving economic diversification and adaptation to climate change will be key to achieving higher, more inclusive, job-creating, and resilient growth. To this end, the new National Development Plan 2022–26 identifies priority sectors for development—including agriculture, manufacturing, tourism, and digitalization. Our new strategy is aligned with the Sustainable Development Goals (SDGs), the objectives of the Agenda 2063 for the development of Africa, and the recommendations of the CEMAC economic and financial reform program (PREF-CEMAC) relating to the structural transformation of national economies within CEMAC. To sustain our diversification efforts, we plan to reinforce and expand basic infrastructure and improve the business environment. Key measures include:

- Improving and expanding infrastructure for transport, irrigation, water and sanitation, and telecommunications—aiming to raise productivity and job creation in our areas of strategic advantage (agriculture, food processing, forestry, wood products, ICT) and manufacturing and services (tourism, financial services). This will also help build resilience to climate change for small businesses and farmers.

- Raising access and affordability of energy, through the reforms in ¶24-27 and the development of new energy sources (especially for rural electrification) such as solar and wind power.

- Improving the business environment and external competitiveness by removing trade barriers and improving contract enforcement, insolvency procedures, and investor protection. For example, by end-June 2023, we will (i) computerize and publish the company register; and (ii) publish a complete inventory of fiscal charges (and parafiscal charges) applied to businesses, formal and informal. The government (i) will create a national real estate registry; (ii) simplify procedures and reduce business creation costs; and (iii) reform administrative costs in order to facilitate cross-border trade. We are also committed to not applying import restrictions for balance of payments purposes, in line with the standard practice in all Fund arrangements.

37. We will also strengthen financial sector resilience and broaden access to finance, which will support macroeconomic stability, economic diversification, and resilience-building. By end-June 2022, the government will work with BEAC and COBAC to build a roadmap to raise financial inclusion based on the recent BEAC and COBAC initiative. To support these efforts, the government has adopted a law regulating factoring and leasing in compliance with local and regional regulations guided by BEAC and COBAC. The government will also continue to strengthen the legal and judicial systems' ability to address financial litigation. Financial stability will benefit from the reduction in non-performing loans as domestic arrears clearance progresses (¶12). We will also continue to closely monitor the solvency and liquidity indicators of the banking system and develop restructuring plans for two fragile banks.

F. Strengthening Statistical Capacities

38. The government will prioritize improvement of public statistical databases. The Ministry of Economy and Planning is implementing a plan to improve data collection capacities and ensure the regular publication of useful and high-quality statistics for the development of public policies. Considerable improvements have been made to the quality of annual national accounts statistics with the assistance of the IMF. Recently, the consumer price index was rebased and quarterly national accounts are expected to be released and published by end-December 2022. On demographics, we have made progress on a general population and housing census, which will be completed shortly. A 1-2-3 survey on household living conditions and a demographic and health survey was launched with funding from the World Bank.

39. The government is committed to pursuing its efforts on the publication of basic economic indicators. Data on monthly inflation rates can be accessed through the ministry of finance website. Quarterly results of public finances (TOFE), debt service and outstanding debt will be published on the website of the Ministry of Finance within 90 days of the reporting date of the concerned statistics.

G. Funding of the Program

40. Our program is fully funded over the medium term. We have obtained firm financing commitments from our external partners—including firm assurances for the next 12 months and good prospects for the duration of the program—to complement the financing guaranteed by the restructuring of external debt and the financing expected from the restructuring of domestic debt. Over the medium term, we will continue to work with our partners to ensure we receive financing that will fully cover the financing gap for the remainder of the program.

H. Program Monitoring

41. The program is subject to semi-annual monitoring by the IMF's Executive Board on the basis of quantitative criteria and indicators, structural benchmarks, and prior actions as indicated in Tables 1 and 2 attached. These criteria and indicators are described in the attached Technical Memorandum of Understanding (TMU), which sets out quantitative performance criteria and reporting requirements under the ECF arrangement. The second semi-annual review will be based on data and performance criteria at end-June 2022 and is expected to take place after October 15, 2022. The third semi-annual review will be based on data and performance criteria at end-December 2022 and is expected to take place after April 15, 2023.

42. We will strengthen internal monitoring mechanisms to ensure strong program implementation. A program monitoring committee (Program Monitoring Committee, DSP) has been established by the government and is responsible for collecting information from the entities responsible for implementing program measures and regularly evaluating their performance. We will keep civil society regularly informed of our performance during the implementation of the program. To this end, we will relaunch the publication of tables containing information on program monitoring and implementation, drawn up in consultation with the IMF staff, on government websites, in particular the Ministry of Finance website. These include quarterly budget results and forecasts, monthly inflation rates, and the quarterly public debt stock and debt service.

Table 1. Republic of Congo: Quantitative Performance Criteria (PC) and Indicative Targets (IT), 2022–23

(Billions of CFA francs; cumulative from the beginning of the year, except where otherwise indicated)[1]

	Type of criteria	End-Feb 2022			End-Mar 2022	End-Jun 2022		End-Sept 2022	End-Dec 2022	End-Mar 2023
		PC Program		Status	IT Program	PC Program	PC Modified Program	IT Program	PC Program	IT Program
Floor on basic non-oil primary budget balance[2]	PC	-128	-62	Met	-159	-309	-321	-459	-510	-131
Adjusted target (floor)			-126							
Upward (Downward) adjustment for higher (lower) than expected oil-related transfers			0							
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue			1							
Ceiling on net domestic financing of the central government	PC	168	106	Met	210	289	217	331	-262	209
Adjusted target (ceiling)			169							
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue			1							
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3]	PC	0	0	Met	0	0	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,4,5,7]	PC	0	0	Met	0	0	0	0	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,6]	PC	0	0	Met	0	0	0	0	0	0
Floor on non-oil revenues	IT	96	113	Met	120	289	298	495	758	182
Floor for social and poverty-reducing spending	IT	61	38	Not Met	76	152	152	228	379	96
Ceiling on disbursements of external loans for investment projects	IT	17	16	Met	21	56	56	111	143	25
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion)[4,7]	IT	15	0	Met	19	37	36	52	69	43
Floor on repayment of domestic arrears accumulated by the central government	IT	16	20	Met	20	30	60	161	402	21
Memo items: :										
Oil revenue[8]		161	222		201	439	680	1082	1546	236
Expected external assistance, net[9]		-118	-182		-149	-299	-409	-614	-870	-67
- BoP assistance (IMF-ECF)		51	53		51	102	106	106	158	0
- Budgetary loans and grants (excl. IMF)		9	0		9	19	19	29	103	92
- Change in non-program external arrears		0	-15		0	0	0	0	0	0
Payments for current external debt service due after debt relief		127	167		159	318	428	643	974	160

[1] Quantitative Performance Criteria and Indicative Targets are defined in the TMU. During the first review of the ECF arrangement, Quantitative Performance Criteria are being set for end-February 2022 and end-June 2022; end-March 2022 and end-September 2022 figures are Indicative Targets. Date specific performance criteria are still considered continuous.

[2] Defined as non-oil domestic revenue minus total expenditures excluding interest payments, transfers paid with crude oil, and foreign-financed investment.

[3] These ceilings are set to zero and to be respected continuously from the date of program approval.

[4] Excluding all sources of budgetary support identified in the program.

[5] Excluding all types of financing mentioned in paragragh 10 of the TMU.

[6] Subject to the exception allowed in paragraph 11 of the TMU.

[7] Cumulative from the date of program approval and is on a contractual basis in accordance with the IMF's debt limits policy: https://www.imf.org/-/media/Files/Publications/PP/2021/English/PPEA2021037.ashx.

[8] Excluding oil barter transactions for the payment of transfers.

[9] As defined in paragraphs 18 and 22 of the TMU.

Table 2. Republic of Congo: Structural Benchmarks

Measures	Target date	Macroeconomic Rationale
Publish on the government website the audit (by a reputable international audit firm) of COVID-19-related spending during 2020.	End-June 2022	Improve transparency and governance and protect public resources.
Publish on the government website oil reconciliation reports prepared by a reputable international audit firm and a table with all mining, forestry, and oil concessions holders.	End-June 2022	Improve transparency and protect public resources.
Prepare a template for consolidated and sectoral public procurement plans that is comprehensive and reflects international best practices.	End-June 2022	Improve public investment management, budget credibility and transparency, and cash management.
Prepare a comprehensive medium-term debt management strategy.	End-July 2022	Manage debt-related risks and support fiscal sustainability.
Publication of a decree clarifying conflict of interest rules and procedures.	End-July 2022	Reduce corruption, improve governance, and protect public resources.
Fully operationalize the remaining modules (accounting, cash management, fiscal reporting, treasury, procurement) of the new Expenditure Tracking Software (SIGFIP).	End-December 2022	Improve transparency and governance and protect public resources.
Prepare an inventory of all tax arrears to identify them with precision and establish the probability of recovery.	End-December 2022	Improve tax administration and support domestic revenue mobilization efforts.
Operationalize the procurement planning template by mapping it to the 2023 budget.	End-December 2022	Improve management of public spending (including public investment), budget credibility and transparency, and cash management.
Establish a public register or cadaster system in the mining and forestry sectors.	End-March 2023	Reduce corruption, improve governance, and protect public resources.
Publication on the government website of the 2021 annual debt report, which includes elaboration on guaranteed and unguaranteed debt of the 10 largest SOEs.	End-March 2023	Improve transparency and manage debt-related risks.

Attachment II. Technical Memorandum of Understanding

INTRODUCTION

1. This Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria and indicative targets established by the Congo authorities and staff of the International Monetary Fund (IMF) for the monitoring of the program supported by the Extended Credit Facility (ECF) arrangement. It also determines the type of data and information to be provided to the IMF for program monitoring purposes, and the periodicity and deadlines for the transmission of these data.

2. The quantitative performance criteria, indicative targets, and cutoff dates are provided in Table 1 of the Memorandum on Economic and Financial Policies (MEFP).

II. KEY DEFINITIONS

3. Government. Unless otherwise indicated, the state or "government" is defined as the central government of the Republic of Congo, which includes all implementing bodies, institutions, and any units receiving special public funds, the powers of which are included in the definition of the central government under the *Government Finance Statistics Manual 2001 (GFSM 2001*; paragraphs 2.48–50). This definition does not include local units of government, the central bank, or any agencies or entities of the central government having autonomous legal status and whose operations are not reflected in the table of government financial operations (TOFE).

4. Unless otherwise indicated, public entities are defined in this Technical Memorandum of Understanding as companies in which the public sector owns majority stakes.

5. Performance criteria (PC) and indicative targets (IT) are established in connection with program monitoring.

A. The performance criteria (PC) include:

- A floor on the basic non-oil primary balance;
- A ceiling on central government net domestic financing;
- A ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government;
- A ceiling on the nominal value of new non-concessional external debt contracted or guaranteed by the central government;

- A ceiling on the nominal value of new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries.

B. The indicative targets (IT) include:

- A floor on social and poverty reducing expenditure;
- A ceiling on disbursements of external loans for investment projects.
- A ceiling on the nominal value of new concessional external debt contracted or guaranteed by the central government.
- A floor on non-oil revenue
- A floor on repayment of domestic arrears accumulated by the central government.

6. Performance criteria (PC), indicative targets (IT), and adjusters are calculated as (i) during 2022, the cumulative change from January 1, 2022 for the 2022 criteria and targets except those in ¶5A(c), 5A(d), 5A(e) and ¶5B(c) which will be from approval of the ECF arrangement (Table 1 of the MEFP); and (ii) for 2023, the cumulative change from January 1, 2023.

A. Performance Criteria

7. The **basic non-oil primary balance,** excluding oil-related transfers, is calculated as the difference between government revenue, excluding oil revenue and grants, and total government expenditure excluding interest payments on domestic and external debt, oil-related transfers, and externally-financed capital expenditure. Government expenditure includes net loans and is defined on a payment order basis.

8. Net domestic financing to government is defined as the issue of any instruments denominated in CFA francs to domestic creditors or on the financial markets of the Economic Community of Central African States (CEMAC), borrowing from the Bank of Central African States (BEAC) (including support from the IMF and use of SDR allocations) and CEMAC member countries (except the Development Bank of the Central African States, BDEAC), debt contracted as part of clearance of arrears through the Club de Brazzaville or any other debt contracted arranged with these creditors.

Net domestic financing is broken down into net bank financing and net nonbank financing.

- *Net bank financing or domestic credit of the government with banks* is defined as the change in the net government position vis-à-vis the banking system (BEAC and commercial banks) including reimbursement of the IMF. Net bank financing to government is calculated using the data provided by the BEAC. These data should be reconciled monthly between the treasury and the BEAC.

- *Net government nonbank financing* includes: (i) the change in the outstanding balance of government securities (treasury bills and bonds) issued in CFA francs on the regional financial market not held by the Congo banking system; (ii) amortization of nonbank domestic public debt; and (iii) revenue from privatizations. The treasury calculates government net nonbank financing on a monthly basis.

9. The government's external payment arrears include all external debt service obligations (principal and interest) matured and unpaid deriving from loans arranged or guaranteed by the central government, penalties, and interest charges deriving from these loans not paid at maturity. For performance criteria requirements, external debt service obligations matured and unpaid after 30 days will be considered "program" arrears. The performance criterion applies to any debt corresponding to the criteria defined in paragraphs 19-21. Arrears not considered "arrears" for performance criteria, or "non-program" arrears, include: (i) arrears accumulated on external debt service obligations for which the authorities have publicly announced that they seek a debt restructuring and for which they have approached the creditors; and/or (ii) disputed external debt service obligations.

10. For the purposes of the ceilings on the contracting or guaranteeing of new external debt (concessional and non-concessional), external debt is any debt contracted or guaranteed by the central government in foreign currency, with the following exceptions: (i) commercial debts in connection with import operations having maturities of less than one year; (ii) debt management operations (DMOs)—defined as the repayment or refinancing of the principal of outstanding external public debts prior to or at their maturity dates, where the present value savings from DMOs will be determined by a positive differential between the grant elements of the newly issued debt instrument (taking into account all costs associated with the operation) and of the debt instrument it replaces, using the IMF Concessionality Calculator (https://www.imf.org/external/np/pdr/conc/calculator/default.aspx)—that result in a reduction of the present value (present value savings) of the overall public external debt and/or an improvement of the overall public external debt service profile; and (iii) all sources of budgetary loans identified in the program. For program purposes, BDEAC loans are considered as external debt. External debt contracted or guaranteed by the government is considered to be concessional if, at the date on which it was contracted, it included a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the nominal value and the present value (PV) of the debt, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[51] For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. For the purposes of the program, all sources of budgetary loans contracted from the World Bank that have a grant element that is less than 35 percent will not be included in the calculations of the ceiling on contracting new non-concessional external debt.
For program monitoring purposes, external debt is considered to be contracted or guaranteed when all of the conditions for it to enter into effect have been met, including approval of the arrangement by the government of the Republic of Congo (the Council of Ministers) or the legislative authorities,

[1] The calculation of concessionality takes into account all aspects of the debt agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97).

if required. Guaranteed debt refers to any explicit legal obligation incumbent on the government to reimburse that debt should the debtor default (whether the payments are in cash or in kind).

11. Natural resources-related external debt is external debt which is contracted by or on behalf of the government and which gives a creditor any interest in natural resources (including oil), including a collateral interest. Pre-financing is defined as natural resources-related debt which is repaid, in whole or in part, by the sale of natural resources in the future. Pre-financing does not include prepayment. A prepayment is defined as an advance payment by the purchaser in connection with a specifically-identified natural resource shipment. Prepayment operations must be repaid within six months, and in any case within the calendar year during which they were arranged. New pre-financing by or on behalf of the government is strictly prohibited under the program. The refinancing and /or deferral of the existing stock of pre-financing debt and/or due dates would not fall within the ceiling on the nominal value of new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries, if: (i) the transaction is discussed in advance with IMF staff; and (ii) at a minimum, results in a reduction of the present value (present value savings) of the overall public external debt and/or an improvement of the overall public external debt service profile. The present value savings from such debt management operation will be determined by a positive differential between the grant elements of the newly issued debt instrument (taking into account all costs associated with the operation) and of the debt instrument it replaces, using the IMF Concessionality Calculator (https://www.imf.org/external/np/pdr/conc/calculator/default.aspx).

B. Indicative Targets

12. Social and poverty reduction expenditure is public expenditure in priority social sectors deemed to be conducive to poverty reduction. A detailed list of expenditure items is provided in Table 1 below. The quarterly indicative targets are provided in Table 1 of the MEFP. Should further expenditure cuts be required, priority social expenditure will be reduced proportionally less than other primary expenditure financed with domestic resources, so that its proportion of priority social expenditure in the revised budget will be greater than in the original budget.

13. Disbursements of external loans in connection with investment projects are an indicative target for the program, for which the ceilings are provided in Table 1 of the MEFP. This indicative target applies to new disbursements, including those in connection with liabilities arranged before the program approval date.

14. New concessional external debt contracted or guaranteed by the central government, for which the amounts are provided in Table 1 of the MEFP, constitute an indicative program target. This indicative target applies to new external borrowing as defined in paragraph 10.

15. Non-oil revenue includes all government's (tax and nontax) revenue, with the exception of oil revenue as defined in paragraph 17 in the TMU. Value-added tax (VAT) is recorded net of VAT reimbursements.

16. The government's domestic arrears payments include arrears on all domestic debt service obligations (principal and interest) matured and unpaid deriving from loans arranged or guaranteed by the central government, penalties, and interest charges deriving from these loans not paid at maturity and include arrears arising out of non-payments for goods and services procured by the government. For performance criteria requirements, payment obligations matured and unpaid after 30 days will be considered "program" arrears and excludes clearance of arrears through Club de Brazzaville.

C. Memorandum Item Indicators

17. **Oil revenue** is defined as the government's net proceeds from the sale of oil, including the provision for diversified investments, royalties paid by oil companies, and the government's share in produced crude oil. It excludes all forms of prepayment, pre-financing, and oil barter transactions under special agreements that give rights on government oil to oil companies. The oil revenue projections take account of the 45-day lag between the date of shipment and the date of receipt of the sale proceeds by the Treasury.

18. **Net external assistance,** as defined in paragraph 22 below, is a memorandum item indicator for the program. This budget assistance, which is also reflected in Table 1 of the MEFP, reflects the financing indications from the external partners of the Republic of Congo.

D. External Debt

19. The term "**debt**" corresponds to the definition in paragraph 8 (a) of the guidelines on public debt limits in programs supported by the Fund appended to Decision 15688-(14/107) of the Executive Board adopted on December 5, 2014, as well as liabilities undertaken or guaranteed for which the assets have not been received. Under these guidelines, "debt" will be understood to mean a direct, i.e., not contingent, liability created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract.

20. **Debts can take a number of forms**, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyer's credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) lease agreements, i.e., agreements under which property is provided which the lessee has the right to use for periods of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purposes of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments that cover the operation, repair, or maintenance of the property.

21. Under the definition of debt set out above, any penalties, judicially awarded damages and interest costs arising from the failure to make payment under a contractual obligation that constitutes debt shall be considered a debt. **Failure to make payment on an obligation that is not considered debt** under this definition (e.g., payment on delivery) will not give rise to debt.

III. ADJUSTORS

22. The quantitative objectives of the program are calculated based on the projected amounts of (1) net external assistance; (2) oil revenue; and (3) oil-related transfers. For purposes of the program, ***net external assistance*** is defined as the difference between (a) cumulative budget support (grants and loans), the impact of debt relief granted by external creditors, and the net change in "non-program" arrears; and (b) cumulative payments for current external debt service due after debt relief, in connection with loans for which debt relief arrangements have been executed. ***The net change in "non-program" arrears*** is the total of "non-program arrears" in connection with current debt service maturities less the total cash payments to clear these arrears.

23. The floor for the basic non-oil primary balance excluding oil-related transfers, and the ceiling for net government domestic financing will be adjusted should net external assistance, oil revenue, and/or oil-related transfers differ from the projected amounts.

24. Adjustments in connection with net external assistance, oil revenue, and oil-related transfers:

- *When total net external assistance exceeds program projections,* the floor for the basic non-oil primary fiscal balance will be adjusted downward by an amount equal to half of the surplus (so that half of the surplus can be used for additional expenditure). The ceiling for net domestic financing to the government will be adjusted downward by half of the surplus. At least half of the additional resources available for expenditure must be used in the social sectors (for current and/or capital expenditure) and the rest to repay domestic arrears. The floor on social and poverty reduction expenditure will be adjusted upward by the amount of additional expenditure in social sectors. The floor on the reimbursement of domestic arrears accumulated by the central government will be adjusted upwards by the additional resources used to pay these arrears. The additional amount for net domestic financing will be used to strengthen government deposits at the BEAC. The only exception to the application of this adjustment is when grant financing for the government's social cash transfer program in 2022 exceeds program projections. In this case, if social cash transfer spending increases by the same amount as the grant, the floor for the basic non-oil primary fiscal balance will be remain unchanged; and otherwise, it will be adjusted upward by the full amount of the surplus with a corresponding reduction in the ceiling for net domestic financing.
- *When oil revenues exceed program projections,* they must be fully saved as government deposits at the BEAC, with a corresponding reduction in the ceiling for net domestic financing.
- *When oil-related transfers exceed program projections by more than CFAF 30bn*, the floor for the basic non-oil primary balance excluding oil-related transfers will be adjusted upward by any amount in excess of the programmed oil-related transfers minus CFAF 30bn.

The expenditure cuts must be applied as a priority outside of the social sectors. At a minimum, the ratio of social expenditure to total expenditure should improve as a result of such expenditure cuts. The floor on social and poverty reduction expenditure will be adjusted downward by cuts in expenditure in social sectors.

- *When total net external assistance is below program projections,* the floor for the basic non-oil primary fiscal balance will be adjusted upward by an amount equal to half of the shortfall (requiring a budget adjustment equivalent to half of the shortfall). The ceiling for net domestic financing to government will be adjusted upward by half of the shortfall. If there are cuts in social and poverty reduction expenditure, the corresponding floor will be adjusted downward by cuts in expenditure in social sectors. If there are cuts in domestic arrears repayments, the floor on the repayment of domestic arrears accumulated by the central government will be adjusted downward.]

- *When oil revenues are below program projections,* in 2022, the floor for the basic non-oil primary fiscal balance will be adjusted upward by an amount equal to half of the shortfall (requiring a budget adjustment equivalent to half of the shortfall). The ceiling for net domestic financing to government will be adjusted upward by half of the shortfall. The expenditure cuts corresponding to half of the shortfall must be applied as a priority outside of the social sectors and cannot be applied to social cash transfers. At a minimum, the ratio of social expenditure to total expenditure should improve as a result of such expenditure cuts. The floor on social and poverty reduction expenditure will be adjusted downward by cuts in expenditure in social sectors. If there are cuts in domestic arrears repayments, the floor on the repayment of domestic arrears accumulated by the central government will be adjusted downward.

IV. PROGRAM MONITORING AND REPORTING REQUIREMENTS

25. The monitoring of performance criteria, indicative targets, and structural benchmarks will be the focus of a quarterly assessment report to be prepared by the authorities within a maximum of 45 days after the end of each quarter. The information on implementation and/or execution of structural benchmarks under the program will be reported to IMF staff within two weeks after their programmed implementation date. The status of implementation of other structural program measures will also be reported to IMF staff within the same time frame.

26. The government will report the information specified in Table 2 below according to the reporting periods indicated. More generally speaking, the authorities will provide IMF staff with all information required for effective follow-up on economic policy implementation.

27. The authorities undertake to consult IMF staff on any new external debt proposals. They will report to IMF staff on the signing of any new external debt arrangements and the conditions pertaining to such debt.

Table 1. Republic of Congo: Social Spending in the 2022 Budget

(Billions of CFA francs)

ITEM	2021	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 Total
Basic Health and Fight against Disease	**162**	**35**	**44**	**61**	**35**	**174**
Acquisition and management program for essential and generic drugs;	4.4	1.2	1.5	2.2	1.2	6.2
Program of free AIDS drugs;	18.0	3.6	4.5	6.3	3.6	18.0
AIDS education and extension campaign	0.3	0.1	0.1	0.2	0.1	0.5
Malaria control program	11.6	3.0	3.8	5.3	3.0	15.1
Extended vaccination program	12.5	2.6	3.2	4.5	2.6	12.9
Response to epidemics	18.8	3.5	4.4	6.1	3.5	17.6
Program of free cesarean section	2.4	0.5	0.6	0.8	0.5	2.4
Tuberculosis control program	0.5	0.1	0.1	0.2	0.1	0.5
Program for the control of nontransferable diseases, namely trypanosomiasis, onchocerciasis,	0.1	0.1	0.2	0.2	0.1	0.7
Revitalization of health districts through the purchase of medical and technical equipment	68.3	14.6	18.3	25.6	14.6	73.0
Construction and rehabilitation of general and basic hospitals and health centers in towns and rural centers;	22.9	4.6	5.8	8.1	4.6	23.2
Women and Teenager Health	2.2	0.8	1.0	1.5	0.8	4.2
Basic Education	**84.1**	**20.5**	**25.6**	**35.9**	**20.5**	**102.6**
Construction and rehabilitation of school buildings	2.7	1.3	1.6	2.3	1.3	6.5
Program of free school supplies, textbooks and tuition and teaching materials in primary, secondary general education, technical and vocational;	22.9	4.9	6.1	8.5	4.9	24.3
Capacity building of the education and research system	23.6	5.4	6.8	9.5	5.4	27.0
Construction, rehabilitation of university infrastructure and equipment, scientific research and technological innovation	0.0	1.8	2.3	3.2	1.8	9.2
Scholarships, school and university aid	30.5	6.1	7.6	10.7	6.1	30.5
Program of school canteens;	4.5	1.0	1.3	1.8	1.0	5.1
Infrastructures	**35.4**	**18.9**	**23.6**	**33.1**	**18.9**	**94.6**
Construction and rehabilitation of rural and agricultural roads through the Rural Development and Rural Rehabilitation	3.1	1.1	1.3	1.8	1.1	5.3
River maintenance, dredging and tagging	3.1	0.5	0.7	0.9	0.5	2.7
Construction and repair of access infrastructure (roads, bridges, etc.)	0.0	8.7	10.9	15.2	8.7	43.5
Urban sanitation, urban roads	29.2	8.5	10.6	14.8	8.5	42.4
Community projects and revitalization of the village fabric	0.0	0.1	0.2	0.2	0.1	0.7
Electricity, water and sanitation	**27.4**	**5.5**	**6.9**	**9.6**	**5.5**	**27.4**
"Water for all" program to continue the operation of drinking water supply in urban and rural centers;	10.7	2.1	2.7	3.7	2.1	10.7
Construction of electrical works for people's access to energy;	16.7	3.3	4.2	5.9	3.3	16.7
Social protection and employment	**53.3**	**11.8**	**14.7**	**20.6**	**11.8**	**58.9**
Charitable Actions and social aid	0.7	0.1	0.2	0.3	0.1	0.7
Integration and social and economic reintegration of the disabled and minorities	0.4	0.1	0.1	0.1	0.1	0.4
Care for vulnerable people and street children	23.6	5.6	7.0	9.8	5.6	28.1
Self-employment and training for small trades through income-generating activities for the benefit of young people in general and especially unemployed young people	1.6	0.5	0.7	1.0	0.5	2.7
Implementation of universal health insurance	27.0	5.4	6.7	9.4	5.4	26.9
Agriculture, fishing and livestock	**7.5**	**3.4**	**4.2**	**5.9**	**3.4**	**16.9**
Market gardening program in urban and rural centers;	2.7	2.0	2.5	3.5	2.0	9.9
Improved seed distribution program;	0.5	0.1	0.1	0.2	0.1	0.5
Extension and demonstration program of agricultural techniques;	3.0	0.5	0.7	0.9	0.5	2.7
Breeding techniques demonstration program;	1.1	0.7	0.9	1.3	0.7	3.7
Bovine sharecropping program.	0.1	0.0	0.0	0.0	0.0	0.1
Promotion of women	**4.3**	**1.0**	**1.2**	**1.7**	**1.0**	**4.8**
Gender issue;	2.4	0.6	0.7	1.0	0.6	2.9
Self-employment and training in small trades through income-generating activities for the benefit of women and young mothers.	1.9	0.4	0.5	0.7	0.4	2.0
TOTAL	**374.1**	**95.9**	**119.9**	**167.8**	**95.9**	**479.5**

Table 2. Republic of Congo: Data to be Reported for Program Monitoring

Sectors	Type of data	Frequency	Reporting period
Real sector	Consumer price indices	Monthly	End of month plus 45 days
	Cyclical indicators (Directorate-General of Economy)	Quarterly	End of quarter plus 90 days
	Estimated national accounts	Annual	End of year plus 3 months
Government finance	Table of government financial operations (TOFE)	Monthly	End of month plus 30 days
	Estimated government tax revenue	Monthly	End of month plus 30 days
	Summary statistical statement of tax and customs exemptions	Monthly	End of month plus 30 days
	Pro-poor expenditure	Monthly	End of month plus 30 days
	Consolidated statement of treasury balances payable	Monthly	End of month plus 30 days
	Domestic arrears of the central government	Monthly	End of month plus 30 days
	Budget execution report	Quarterly	End of quarter plus 45 days
Domestic debt	Detailed statement of domestic debt	Monthly	End of month plus 30 days
	Detailed reporting on treasury bills (BTA) outstanding and new issuances	Monthly	End of month plus 30 days
	Detailed reporting on the stock of loans and bonds	Monthly	End of month plus 30 days
	Details of any new domestic borrowing and guarantees	Monthly	End of month plus 30 days
	Detailed domestic debt service forecasts	Quarterly	End of quarter plus 45 days
	Statement of issuances and reimbursements of treasury bills and bonds	Monthly	End of month plus 30 days
	Table on holders of treasury bills and bonds, stating the amounts held at the end of each month by Congo banks, CEMAC banks, and the nonbank sector	Monthly	End of month plus 30 days
	Debt statement and debt service projections for the 10 largest public enterprises	Semi-annually	End of semester + 45 days
	Detailed financial statement of the 10 largest public enterprises	Annually	End of year + 6 months
External debt	Detailed statement of external debt	Monthly	End of month plus 30 days
	Details of any new domestic borrowing and guarantees	Monthly	End of month plus 30 days
	Table of disbursements of new borrowing	Monthly	End of month plus 30 days
	Projected external debt service	Quarterly	End of quarter plus 30 days
	Detailed statement of external liabilities (whether or not guaranteed by the government) and external assets of public enterprises, and projected debt service	Quarterly	End of quarter plus 45 days
Balance of Payments	Provisional balance of payments	Annual	End of year plus 4 months

REPUBLIC OF CONGO

June 9, 2022

FIRST REVIEW UNDER THE THREE-YEAR EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

Republic of Congo: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*In Debt Distress*
Overall risk of debt distress	*In Debt Distress*
Granularity in the risk rating	*Sustainable*
Application of judgement	*No*

Approved By
Vitaly Kramarenko and Gavin Gray (IMF) and Marcello Estevão and Abebe Adugna (IDA)

The Debt Sustainability Analysis (DSA) has been prepared jointly by IMF and International Development Association staff, in consultation with the authorities, using the debt sustainability framework for low-income countries approved by the Boards of both institutions.

The overall and external debt[6] of the Republic of Congo are classified as "in distress", pending arrears payments to India's Exim Bank, Chinese commercial creditors, and ten suppliers (totaling US$157 million) but debt is assessed as "sustainable". As of end-January 2022, debt restructuring discussions initiated in 2019 with the largest external commercial creditors have all been concluded. Agreements in principle have been reached on arrears to Brazil and Russia.

Restructured debt, fiscal discipline, higher oil prices, and improved debt management—including restricting new external financing to concessional terms—are projected to help all external liquidity and solvency indicators fall below their thresholds by 2026 under the baseline scenario.[7] Oil price assumptions (based on the April 2022 WEO assumptions)

[6] Most of the external debt is defined on a currency basis, except for the creditors whose residency can be tracked, that are defined on residency basis. An example is the Regional Development Bank, BDEAC.

[7] The composite index (CI), estimated at 2.30 and based on the April 2022 World Economic Outlook (WEO) update and 2020 World Bank Country Policy and Institutional Assessment (CPIA) data, indicate a weak debt carrying capacity for Congo.

and projections of growth in the non-oil economy, coupled with increased debt amortization (tied to high oil prices), are expected to reduce the public debt-to-GDP ratio and support no new accumulation of domestic arrears. Nevertheless, there are major external and overall debt-related risks, as signaled by the PV of public debt to GDP indicator exceeding its benchmark until 2030 and the external debt-service-to-revenue ratio breaching its threshold until 2025 under the baseline scenario. Even though the PV of overall public debt to GDP ratio breaches its benchmark extensively, it is assessed as sustainable given that the liquidity risks are mitigated by i) the steady and significant declines in the relevant ratios going forward, and ii) availability of financing from Congolese financial markets.

There are several risks to debt sustainability. The debt sustainability assessment is highly vulnerable to negative oil price shocks. Tighter conditions in regional markets (CEMAC banking systems) could be a downside risk if the government's financing needs exceed the current baseline projections.

Going forward, the authorities are encouraged to continue pursuing fiscal consolidation, enact policies for diversification to reduce risks and prepare for reduced long-term oil production and demand, clear domestic arrears, and continue enhancing debt management.

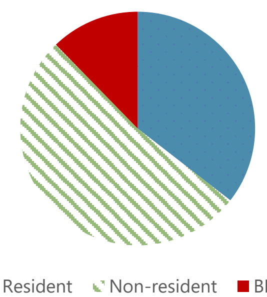
PUBLIC DEBT COVERAGE

1. **The coverage of public debt in this DSA is limited to central government debt and oil-backed debt contracted by the national oil company (SNPC), the largest state-owned enterprise.** State and local governments in Congo are not allowed to borrow and depend on local taxes and transfers from the central government. Debt from oil-backed pre-financing arrangements contracted with oil traders through SNPC and guaranteed by the central government is included in the analysis. The debt of other state-owned enterprises (SOEs) and non-guaranteed debt of SNPC are included as contingent liabilities.[1] Efforts are underway to compile information on SOEs with a view to expanding the DSA coverage to general government debt, which would include the majority of SOEs. This will require detailed data on revenues, spending, debt, and debt service of these SOEs. Supported by the Extended Credit Facility Arrangement (ECF) arrangement and the FY 2021 performance and policy actions (PPA) under the World Bank's Sustainable Development Finance Policy (SDFP), the authorities are making on-going efforts to address the limited coverage on SOE debt and financial performance. A ministerial order was recently issued instructing the 10 largest SOEs to regularly share with the central government data on all their debt (a first round of this unaudited information has been published). As a next step, the ECF arrangement includes a March 2023 structural benchmark where the government intends to publish a comprehensive annual debt report that will include detailed elaboration on guaranteed and unguaranteed debt of the 10 largest SOEs. Efforts are also underway to centralize SOE debt information in a single debt

[1] There are 31 SOEs in Congo, with government ownership ranging from 50 to 100 percent.

database managed by the Congolese debt office and to include this information in all annual debt reports. IMF and the WB technical assistance are supporting these efforts, and preparation of a comprehensive debt management strategy is also a structural benchmark under the ECF. In terms of the social security system, there are two entities: (i) a more autonomous CNSS that collects contributions to pay retirees from both the private sector and public enterprises; and (ii) the Caisse de Retraite des Fonctionnaires (CRF) for public administration employees. Both are under the wardship of the Ministry of Labor. In the past, some public enterprises did not make their contributions to the CNSS and the government "borrowed" from both pension funds, where CNSS has been repaid and debt to CRF remains. Domestic debt includes these "social arrears".

Subscription of Congolese Treasury Securities



2. **The distinction between domestic and external debt is mostly determined on a currency basis, as opposed to a residency basis.** This is because large amounts of the country's debt is subscribed by banks within the regional CEMAC market (i.e., within the currency union), where BEAC is not yet able to accurately monitor the holder of these instruments within CEMAC. For creditors whose residency can be tracked, including the regional development bank (BDEAC), debt is defined on a residency basis. Though nearly half of the treasury auctions are subscribed by non-resident banks, the lack of data on post-subscription treasury bond trade makes it difficult to infer the actual holdings of Congolese debt by the non-resident banks.

3. **Contingent liabilities are elevated and pose a risk.** The contingent liability stress test is customized to account for vulnerabilities associated with legally disputed claims of domestic arrears, non-guaranteed SOE debt, and litigated debt (Text Table 1). Non-guaranteed debt of the 10 largest SOEs is estimated at 28 percent of GDP, and under the stress test, it is assumed that one third of this amount could end up on the central government balance sheet (9 percent), while the rest can be paid through the liquidation of SOE assets. In addition, Congo's total PPP capital stock is estimated at 5 percent of GDP, with 35 percent of this stock assumed to end up on the government balance sheet under the stress test. To account for a financial sector crisis, the default value of 5 percent is applied to the government balance sheet given the limited size of the banking system. Debt vulnerabilities are also affected by claims of domestic arrears that were rejected by an audit but are being legally contested (about 7 percent of GDP), newly rejected domestic arrears claims under the current audit (about 12¼ percent of GDP) that could be legally contested, and an external arrears claim of 2¼ percent of GDP which is currently being litigated (and not included in the debt stock), adding up to 21½ percent of GDP for other elements of government debt.[2] The contingent liability test is also calibrated to account for these potential risks to the public sector balance sheet.

[2] The authorities continue to dispute this external claim to a foreign construction company. Disputed claims are not included in the baseline, as they are included when calibrating the contingent liability stress test (Text Table 1).

Text Table 1. Republic of Congo: Coverage of Public-Sector Debt and Design Stress Tests of Contingent Liability[1]

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	
8	Non-guaranteed SOE debt	

1	The country's coverage of public debt	The central government, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	21.6	Litigated debt; contested domestic debt under audit; rejected domestic arrears
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	9.0	SOE's debt not guaranteed by the government
4	PPP	35 percent of PPP stock	1.60	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)		37.2	

[1] The public debt coverage chart is updated to explicitly exclude subnational governments from the coverage.

BACKGROUND

A. Evolution and Composition of Public Debt

4. Public debt in the Republic of Congo is expected to decline from 104 percent of GDP at end-2021 to 84 percent of GDP at end-2022. The decrease in the debt-to-GDP ratio primarily reflects efforts by the authorities to remain current on scheduled debt service payments—where debt service to two largest external commercial creditors is tied to oil prices and sizeable when oil prices are high. Lower than forecast project loans and disbursements of budget support only after completion of the first review under the ECF arrangement limit new external financing.

- External debt decreased from 66 percent of GDP at end-2020 to 59 percent of GDP at end-December 2021. The 9 percent of GDP increase in the external debt stock relative to IMF Country Report No. 22/49 is due to reconciliation of debt numbers with creditors: (i) 0.1 percent and 0.4 and of GDP on debt to Belgium and Brazil, respectively, in the context of the DSSI (see below); (ii) 0.7 percent of GDP on debt to Saudi Arabia; (iii) 2.9 percent of GDP on official debt to China and 1.4 percent of GDP on debt to Chinese companies, in the context of discussions to eventually further restructure debt to China; (iv) 0.9 percent of GDP resulting from the debt restructuring agreement reached in January 2022 with a large external commercial creditor (see second last below); and (v) 2.4 percent of GDP with a commercial supplier.

- A large share of external debt is owed to China and Chinese companies (15½ percent of GDP) and oil traders (10 percent of GDP, see Tables 1a and 1b in the annex). Under the Fund-supported ECF program, the contracting of new external debt is restricted to be on concessional terms.

- Much-needed liquidity support during 2020–21 was received through Congo's participation in all the phases of the DSSI; and any arrears from DSSI creditors that were not covered under the DSSI have been resolved. The authorities are committed to service the debt rescheduled under phase 1 of DSSI, starting in mid-2022. Notably, DSSI debt service for all phases of the DSSI will continue through end-2027.

- Agreements with Abu Dhabi and Libya were recently concluded on treatment of pre-HIPC arrears, including substantial haircuts; and agreements in principle have been reached on arrears to Brazil and pre-HIPC arrears to Russia. The authorities are in the process of resolving arrears to India's Exim Bank ($31 million).

- Arrears to Saudi Arabia and Kuwait that arose at the start of 2021 due to technical reasons were fully paid in the second half of 2021. Congo has not accumulated any new arrears since the start of the ECF arrangement.

- The authorities are engaged in the resolution of external commercial arrears owed to Chinese companies ($107 million) and across 10 suppliers ($19 million).

- The authorities contest $275 million of pre-HIPC arrears owed to a supplier as part of a broader litigation case[8]. The authorities have requested HIPC treatment for another $96 million of pre-HIPC arrears, which are included at face value in the DSA.

- At end-January 2022, the authorities concluded a restructuring agreement with a large external commercial creditor to resolve $536 million in arrears—where the restructuring agreement is on comparable terms to that concluded last year with another large external commercial creditor (aforementioned).

- Domestic public debt decreased slightly from 48 percent of GDP at end-2020 to 45 percent of GDP at end-December 2021. Domestic debt involved borrowing from commercial banks and non-bank commercial institutions (22 percent of GDP)—mainly in the form of bond issuances—commercial arrears (9 percent of GDP), statutory advances from the regional central bank (8 percent of GDP), and pension arrears and unpaid social benefits (5 percent of GDP).[9]

5. This debt sustainability analysis incorporates the impact of three restructuring agreements concluded with external private commercial creditors (oil traders). The restructuring agreement with the smallest of these three creditors was signed in 2020Q3 and includes a substantial nominal haircut on the stock of outstanding debt, a maturity extension, and resolution of US$61 million in external arrears. The restructuring agreement with the largest creditor

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[8] Claims that are disputed do not give rise to arrears for the purposes of the application of the Fund's arrears policies or for performance criteria covering arrears.

[9] As audits of 2019–20 government financials will be finalized later in 2022, partially audited and not yet audited domestic arrears are not included in the 2021 debt stock but a projected amount of 6.4 percent of GDP is included in the 2022 debt stock projection.

was signed in 2021Q1 and that with the remaining large creditor was signed in 2022Q1—both of these agreements include debt service formulated as a function of oil prices, a nominal haircut, a maturity extension, and an interest rate reduction.

Text Table 2a. Republic of Congo: Summary Table of Projected External Borrowing Program 2022–23

January 1, 2022–March 31, 2023

PPG external debt	Volume of new debt, Jan 1, 2022 to March 31, 2023		
	USD million	CFAF Billion	Percent
By sources of debt financing	**376.1**	**218.8**	**100**
Concessional debt, of which	**376.1**	**218.8**	**100**
Multilateral debt	233.8	136.0	62
Bilateral debt	142.3	82.8	38
Other	0.0	0.0	0
Non-concessional debt, of which	**0.0**	**0.0**	**0**
Semi-concessional	0.0	0.0	0
Commercial terms	0.0	0.0	0
By Creditor Type	**376.1**	**218.8**	**100**
Multilateral	233.8	136.0	62
Bilateral - Paris Club	77.9	45.3	21
Bilateral - Non-Paris Club	64.4	37.5	17
Other	0.0	0.0	0
Uses of debt financing	**376.1**	**218.8**	**100**
Infrastructure	193.1	112.4	51
Social Spending	0.0	0.0	0
Budget Financing	183.0	106.5	49
Other	0.0	0.0	0.0

Text Table 2b. Republic of Congo: Type of New External Debt

(Millions of USD)

January 1, 2022–March 31, 2023

	USD Million	CFAF Billion
By the type of interest rate		
Fixed Interest Rate	330.4	192.2
Variable Interest Rate	45.8	26.6
Unconventional Loans	0.0	0.0
By currency		
USD denominated loans	330.4	192.2
Loans denominated in other currency	45.8	26.6

Note: All loans are on contracting basis.

6. **This debt sustainability analysis also incorporates the impact of the G20 Debt Service Suspension Initiative (DSSI).** Under the DSSI, the authorities obtained relief of US$98 million of debt service due to bilateral creditors between May and December 2020 (equivalent to 1 percent

of GDP), that was rescheduled under NPV-neutral terms. Under the second phase of DSSI, an additional US$105 million of debt service was rescheduled. Under the final DSSI extension, an additional US$56 million of debt service was rescheduled. The authorities devoted the resources freed by this initiative to increased spending in order to mitigate the health, economic, and social impact of the COVID-19 pandemic. The DSA includes the rescheduling—according to published terms—of all eligible debt, with the exception of debt under the Strategic Partnership loans from China, which the creditors have not agreed to reschedule and for which the authorities have continued making repayments.

7. Weaknesses in public debt management and reporting remain. While the authorities published the terms of the 2019 debt restructuring agreement with China, operationalization of the agreement implied lower short-term liquidity relief than initially assessed. Moreover, the authorities continued accumulating excess deposits in the escrow account in China during 2020—though these were eliminated in 2021. Significant data revisions have resulted in upward revisions to the 2021 external debt stock (see paragraph 4 above). The composition of domestic debt was also revised—largely due to delays in information sharing across relevant entities that collect debt information. The authorities are committed to resolving these issues with support from on-going IMF and World Bank technical assistance in the areas of debt management and reporting.
The emergence of a contested claim has increased the stock of contingent liabilities; this claim has been included in the ongoing audit of domestic arrears.

Text Table 3. Republic of Congo: External Arrears Situation

	September 2021 Stock			February 2022 Stock			February 2022 (excl. unrestructured pre-HIPC arrears)[1]		
	CFAF Billion	USD Million	Percent of GDP	CFAF Billion	USD Million	Percent of GDP	CFAF Billion	USD Million	Percent of GDP
Total	**701**	**1264**	**10.0**	**378**	**648**	**4.3**	**92**	**157**	**1.1**
Multilateral and other creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFAD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AfDB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	101.8	183.7	1.5	87.8	150.4	1.0	18.2	31.1	0.2
Paris Club	44.3	79.9	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Brazil2	26.5	47.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	17.8	32.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ADF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C2D	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Paris Club	57.5	103.8	0.8	87.8	150.4	1.0	18.2	31.1	0.2
United Arab Emirates	13.0	23.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Angola	41.0	74.0	0.6	66.4	113.8	0.8	0.0	0.0	0.0
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India Exim Bank	13.7	24.7	0.2	18.2	31.1	0.2	18.2	31.1	0.2
Kuwait	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Arabia	0.3	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postal debt	3.1	5.7	0.0	3.1	5.4	0.0	0.0	0.0	0.0
Private Creditors	599	1080	8.5	290	497.6	3.3	73.6	126.1	0.8
CMEC and Chinese companies[3]	67	121	1.0	62	106.6	0.7	62.2	106.6	0.7
Eurobond (London Club)	0	0	0.0	0	0.0	0.0	0.0	0.0	0.0
Afreximbank	0	0	0.0	0	0.0	0.0	0.0	0.0	0.0
Oil traders	304	548	4.3	0	0.0	0.0	0	0.0	0.0
Suppliers[4]	228	412	3.3	228	391	2.6	11.4	19	0.1

Sources: Congolese authorities and IMF staff estimates.

[1] This set of columns excludes pre-HIPC debts that are under dispute (as they are considered a subset of unrestructured pre-HIPC arrears).

[2] An agreement in principle has been reached for resolution of these arrears and the corresponding debt service is included in the DSA.

[3] China Machinery Engineering Corporation, previously classified as official bilateral debt.

[4] Includes disputed debts and pre-HIPC claims.

1. Macroeconomic Outlook

8. Box 1 summarizes the main assumptions for key macroeconomic variables in the scenario underpinning the DSA:

Overall real GDP growth is projected at 4.3 percent for 2022, reflecting 3.3 percent non-oil growth and a rebound of 6.1 percent of oil sector growth after an 11 percent contraction in 2021. As the recovery takes hold, growth is expected to peak at 7.1 percent of GDP in 2024, primarily on the back of increased oil production. Over the long-term, growth will average around 3 percent driven by strengthened non-oil growth as economic diversification gradually progresses, supported by the authorities' structural reform agenda as elaborated in the National Development Plan and the ECF-supported program[10]. Concurrently, oil production levels will decline with the depletion of oil reserves.

The government is implementing a vaccination program, expecting to cover 60 percent of the population by end-2022. As of April 14, 2022, 14 percent of the population was fully vaccinated and another 1 percent of the population is partially vaccinated. However, vaccine hesitancy is likely to impede achievement of this objective.

The overall fiscal position has improved with the overall balance rising from -1 percent of non-oil GDP in 2020 to 2.7 percent of non-oil GDP in 2021, mainly owing to high oil prices boosting oil revenues. The non-oil primary deficit widened from -15.2 percent of non-oil GDP in 2020 to -17.3 percent of non-oil GDP in 2021— driven by higher goods and services spending on vaccine deployment and healthcare equipment and supplies, stepped up social transfers, and a shortfall in grants. After the pandemic subsides, the authorities are expected to continue implementing fiscal adjustment to restore long-term fiscal sustainability and support building of regional international reserves.

Balance of payments (BOP) and budget support, other than ECF disbursements, are not expected until the second half of 2022 (Text Table 4). In 2020 and 2021, disbursements were lower than previously anticipated because of delays in both budget support and project financing, the latter related to the pandemic. The decline in disbursements beyond 2026 is in line with the authorities' commitment to pursue prudent external borrowing.

The DSA assumes that Congo continues to obtain the bulk of new external financing on concessional terms in the medium term; the grant element increases progressively and averages 43 percent over 2027–29.[11] After 2029, new disbursements are assumed to become less concessional, bringing the grant element to about 27 percent over 2030–40.

[10] For a list of structural benchmarks, please see IMF Country Report No. 22/49

[11] China has historically provided the bulk of Congo's external financing on fairly concessional terms. The increased grant element after the end of planned budget support disbursements from multilateral partners reflects an assumption that China would remain the main creditor in the long term.

Box 1. Main Macroeconomic Assumptions

Non-oil sector: In 2022, assuming the pandemic subsides, recovery of the non-oil sector is projected to take hold, growing at 3.3 percent. Non-oil growth is projected to improve gradually to 5 percent by 2026 (averaging 4.5 percent during 2023–27), as investment recovers, the implementation of structural reforms bears fruit, (especially, to protect and develop human capital and infrastructure and improve the business environment) and the economy diversifies in line with the commitments of the CEMAC Heads of State in August 2021. The CEMAC Heads of State have committed to implement priority structural reforms to allow stronger, more inclusive and more sustainable growth with an emphasis on improving the management of public funds and governance (e.g., improving the preparation of public investment projects, strengthening the financial oversight of SOEs), business environment reforms and regional integration as well as human capital (e.g. greater focus on primary health care, social protection, or and relevant professional training). Emphasis will be place on improving infrastructure—for transport, irrigation, water and sanitation, telecommunications, and electricity—removing trade barriers, improving contract enforcement, insolvency procedures, and investor protection will all support increased productivity in agriculture, food processing, forestry and wood products, ICT, tourism, and financial services. Beyond 2027, non-oil growth is projected to average 5 percent—somewhat lower than the historical average of 5.3 percent over 2008–17 but higher than the non-oil GDP growth in the 2021 Article IV framework—on the back of structural reforms and diversification efforts. GDP is expected to slow down for a brief period between 2032 and 2036 due to reduced oil production and rebounds thereafter when non-oil growth spurred by diversification efforts starts to dominate the sharp decline in oil production.

Key risks to the outlook include (i) spillovers from an intensification of global geopolitical tensions and deglobalization resulting in social unrest, increased transport and import costs, and global food shortages; (ii) lower oil prices and production and (iii) adverse weather conditions weighing on agricultural production. In the near-term, downside risks are elevated given uncertainties related to the pandemic, low vaccination rates, and oil prices and production. Medium-term risks are largely mitigated as governance reforms and the implementation of efforts to diversify and build resilience to climate change are expected to support development of the non-oil sector, which will create jobs and raise incomes.

Text Table 4. Republic of Congo: Projected Loan Disbursements

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total External Bilateral and Multilateral	**630**	**613**	**540**	**365**	**345**	**350**	**413**	**442**	**491**	**546**
Project Financing	**246**	**293**	**327**	**365**	**345**	**350**	**413**	**442**	**491**	**546**
Of which:										
Multilateral and other creditors	246	261	178	216	194	249	312	341	390	445
IMF	0	0	0	0	0	0	0	0	0	0
IDA	66	69	71	81	52	62	71	54	60	67
IBRD	42	52	63	63	59	59	59	49	39	29
AfDB	0	0	0	0	0	0	0	0	0	0
Others	138	141	44	72	83	128	181	238	290	350
Official bilateral	0	32	149	150	150	101	101	101	101	101
Paris Club	0	32	50	50	50	0	0	0	0	0
France	0	32	50	50	50	0	0	0	0	0
Non-Paris Club	0	0	99	100	100	101	101	101	101	101
China	0	0	99	100	100	101	101	101	101	101
General Budget Financing	**384**	**319**	**213**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
IMF	272	92	92	0	0	0	0	0	0	0
Other Development Partners	111	228	120	0	0	0	0	0	0	0

Sources: IMF and WB staff calculations and projections.

Box 1. Main Macroeconomic Assumptions (continued)

Vaccination: The government aims to vaccinate 60 percent of the population by end-2022—costing $88 million (0.7 percent of GDP, IMF Country Report 22/49, Text Table 1). As of April 14, 2022, 14 percent of the population was fully vaccinated and another 1 percent of the population is partially vaccinated. The World Bank and the African Union are coordinating to finance the EVAX scheme, covering one million people, with $12 million in World Bank financing. China and Russia are covering 1.1 million people.

Oil production and prices (applying April 2022 WEO projections): Oil production in 2021 remained subdued due to an unanticipated slowdown in production owing to the negative impact of the pandemic on oil production-related investments in 2020 that were necessary to maintain or increase production relative to 2020. Accordingly, oil production in 2021[1] was substantially less than in 2020 but is expected to gradually recover with a normalization of investment, resulting in higher production starting in 2022 and reaching 2020 levels in 2023. Production is projected to peak at 125 million barrels by 2024 (comparable to pre-pandemic levels) with new fields coming online and then to steadily decline to about 11 million barrels in 2041, barring new oil discoveries. There are large downside risks to oil prices. More broadly, high volatility of international oil prices and production uncertainties, including those related to the Ukraine war, are substantial near-term risks; however, the contribution of oil to overall GDP, as well as exports and revenue, is expected to decline over the next 20 years, reducing long-term risks related to oil price volatility.

Inflation: Inflation is projected to average 3.5 percent (y/y) in 2022 due to the Ukraine war raising global prices for cereals, fertilizers, and fuel on food and fuel imports, transit costs for all imports, and prices of import substitutes. After that inflation is expected to decline to 3 percent by 2023 and remain close to 3 percent over the long term, consistent with the CEMAC's convergence criteria of a 3 percent ceiling.

Current account balance: A current account surplus of 17.2 percent of GDP is anticipated for 2022, marginally higher than the current account balance of 12.6 percent of GDP in 2021. The surplus is primarily linked to high global oil prices in 2022. The current account is projected to remain in surplus over 2021–24 given high oil prices, oil production increases, and gradual recovery in the non-oil sector. After 2024, with the decline in oil production, the current account is expected to shift to a deficit. The current account deficit is projected to average 2.4 percent of GDP over 2028–42, reflecting a long-term decline in oil production. Continued investment efforts as part of the diversification strategy will keep imports elevated, only partly offset by increased exports. Economic diversification continues to support projected GDP growth.

Fiscal policy aims to reduce the debt burden and support growth. In 2021 (relative to 2020), oil revenues bolstered the primary balance while the non-oil primary balance deteriorated under pressure from higher pandemic-related spending on goods and services, social transfers, and grant shortfalls. Non-oil revenues remained stable, supported by gradual increases in non-oil economic activity and revenue-enhancing measures adopted over the past two years. Oil-related transfers also remained broadly similar to 2020 (as a percent of non-oil GDP)—where higher oil prices counteracted savings from continued reforms in the state-owned (SOE) electricity company and oil refinery. The shortfall in grants was mirrored in suppressed externally financed capital spending.

Contingent on the pandemic subsiding, the authorities plan a gradual adjustment of 4 percent of non-oil GDP (1 percent of GDP) in the non-oil primary balance during 2021–27 to restore long-term fiscal sustainability and support building of regional international reserves. This adjustment is founded in measures supported by the ECF arrangement and technical assistance from the IMF, World Bank, and other development partners—including measures to improve collection of tax arrears, broadening the tax base (applying a medium-term strategy to streamline exemptions including in VAT), customs reforms, raising excise duties in line with CEMAC guidelines, and continued implementation of energy SOE reforms

Box 1. Main Macroeconomic Assumptions (concluded)

to reduce transfers and improve SOE transparency (see IMF Country Report No. 22/49 for details), The concerted efforts the government is already making to take these measures forward, in addition to the recently completed debt restructuring, and efforts to settle remaining arrears and timely payments of all remaining debt demonstrates strong ownership towards budget and debt reforms and the ECF arrangement.

The projected primary balance surpluses are supported by the gradual adjustment in the non-oil primary balance as well as substantial oil revenues, driven by oil price assumptions in the April 2022 WEO. Downside risks to oil prices, their impact on the primary balance, and in turn on the DSA, are substantially mitigated by debt service to the largest external commercial creditors being tied to oil prices and access to Congo's financial market.

The authorities are also committed to use the oil windfall gains to substantially reduce the stock of external and domestic arrears in the medium-term. The gradual clearance of domestic arrears should provide more liquidity to the private sector and banks, stimulating private investment and non-oil sector growth. The authorities also plan to expand the tax base by gradually reducing tax expenditures (estimated at over 10 percent of GDP) and improving tax administration (through the operationalization of the one-stop shop for tax payments and of the digital platforms for tax declarations). Greater fiscal revenue mobilization together with external borrowing on concessional terms will reduce the debt service burden and allow the financing of critical infrastructure projects, which in turn will support the government's diversification strategy as outlined in the new development plan (2022–26).

- **Domestic arrears payments:** The authorities' medium-term fiscal strategy prioritizes domestic arrears repayments—critical for economic and political confidence—while safeguarding social and domestically-financed capital spending and reflecting commitments to enhance debt sustainability. The authorities are developing a new domestic arrears repayments scheme which will begin in 2023. Should revenues fall short, domestic arrears repayments will be slowed. Clearance of domestic arrears is also helping alleviate macro-financial risks by reducing liquidity pressures and NPLs.
- **Loan disbursements:** The authorities' reforms agenda, supported by the ECF arrangement, will catalyze concessional budget financing, which will help reduce debt vulnerabilities while supporting critical public investment to support economic diversification efforts as well as social spending to protect the most vulnerable—all of which will facilitate higher, more inclusive, resilient, and sustainable growth (Text Table 4).

[1] GDP contracted by 0.6 percent in 2021, with a 3.6 percent growth in the non-oil sector unable to offset an 11 percent decline in the oil production in 2021.

9. Realism tools flag risks around the forecast, but there are mitigating factors. The fiscal adjustment-growth realism tool suggests that the projected overall real GDP growth path could be lower but staff assesses the projected growth and the fiscal path to be realistic. This is because overall real GDP growth is composed of two separate parts: oil and non-oil growth, where the impact of oil growth on overall real GDP dominates given the country's oil dependence. Notably, only non-oil growth is impacted by fiscal adjustment policies and the path of non-oil growth is consistent with the realism tool. Concurrently, oil growth is driven by oil production, which is independent of fiscal adjustment policies. Risks, including from negative oil price shocks, are largely mitigated by repayments to the largest external commercial creditor being tied to oil prices, a gradual increase of government deposits at BEAC, and the availability of financing from Congolese financial markets—where banks having high liquidity, as corroborated by the high liquidity ratios for the domestic banks. The DSA also incorporates interest rates for domestic financing consistent with the historical trends and current market conditions. Further, in the long term, with structural and governance reforms and after exiting fragility, access to international capital markets can be a source of financing. Moreover, over the medium and long term, economic diversification efforts are supporting economic activity. Improvements in the primary surplus (owing to oil revenues in the near- and medium-terms and sustained consolidation efforts) is the main driver in reducing debt, with real GDP growth also contributing marginally (Figure 3). The realism tools show a history of large unexplained increases for external debt due to revisions to debt stock and debt service statistics.

Text Table 5. Republic of Congo: Comparison of Assumptions between Current and Previous DSA

	10 yr average	2020	2021	2022	2023	2024	2030	2038
New Loan Disbursements (billions FCFA)								
Current DSA		124	124	292	259	255	111	104
2021 ECF DSA			99.1	348.7	353.1	269.2	108.1	100.6
Grant Element of New External Borrowing (in percentage points)								
Current DSA				30.2	28.4	33.3	38.1	29.3
2021 ECF DSA			35.2	32.9	32.2	33.6	38.1	29.2
Primary balance (percent of GDP)								
Current DSA	-2.1	0.1	3.9	10.2	7.7	7.5	9.1	0.1
2021 ECF DSA			3.6	4.8	3.6	4.2	8.8	0.1
Real GDP growth (percent)								
Current DSA	-1.7	-8.1	-0.6	4.3	4.6	7.1	3.8	3.2
2021 ECF DSA			-0.2	2.4	2.9	6.5	4.0	3.6
Current Account Balance (percent of the GDP)								
Current DSA	-0.1	0.0	0.1	17.2	7.9	4.6	-2.6	-5.0
2021 ECF DSA			13.4	5.5	0.3	-1.4	-2.6	-2.2
Oil prices (US dollars per barrel)								
Current DSA	69.2	41.3	69.1	106.8	92.6	84.2	76.9	90.1
2021 ECF DSA				64.5	61.3	59.0	60.9	71.4

Sources: Congolese authorities; IMF and WB staff calculations and projections.

2. Country Classification and Determination of Stress Test Scenarios

10. **The composite index (CI) is assessed at 2.3 and is based on the April 2022 World Economic Outlook (WEO) and 2020 World Bank Country Policy and Institutional Assessment (CPIA) data, indicating a weak debt carrying capacity for Congo**. The methodology relies on computing a composite indicator (CI) based on information from the CPIA score, external conditions as captured by world economic growth, and country-specific factors, including import coverage of reserves. The Republic of Congo's low CI score indicates a weak debt carrying capacity, reflecting mainly a low CPIA score and a low level of foreign reserves (Text Table 6). The CI score is similar to that in the previous DSA, which is based on the October 2021 WEO data, and the debt carrying capacity is unchanged compared to the previous (2021 Article IV) DSA.

Text Table 6. Republic of Congo: Composite Indicator Score

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.706	1.04	45%
Real growth rate (in percent)	2.719	-0.181	0.00	0%
Import coverage of reserves (in percent)	4.052	29.835	1.21	52%
Import coverage of reserves^2 (in percent)	-3.990	8.901	-0.36	-15%
Remittances (in percent)	2.022	0.000	0.00	0%
World economic growth (in percent)	13.520	3.050	0.41	18%
CI Score			2.30	100%
CI rating			Weak	

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Weak	Weak 2.30	Weak 2.31	Weak 2.28

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	140
GDP	30
Debt service in % of	
Exports	10
Revenue	14

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

Source: IMF staff calculations. The CI cutoff value for medium debt carrying capacity is 2.69.

11. The DSA considers commodity price, natural disasters, and market financing shocks. Since oil exports represent more than 80 percent of Congo's exports, the commodity price tailored stress test is triggered. Given susceptibility to natural disasters like floods, the natural disaster module is also triggered. Similarly, having issued a Eurobond (in the context HIPC debt restructuring), the market financing shock is also activated. This scenario assesses rollover risks resulting from a deterioration in global risk sentiment, temporary nominal depreciation, and shortening of maturities of new external commercial borrowing.

DEBT SUSTAINABILITY ANALYSIS

A. External Debt Sustainability Analysis

12. Under the baseline, breaches of all the external debt indicators vis-à-vis Congo's indicative thresholds are contained within 3 years (Figure 1). Under the current terms on the already restructured debt, all threshold breaches will be eliminated by 2026 under the baseline scenario. The PV of external debt-to-GDP ratio is 40 percent at end-2022 and is projected to decline to 28 percent in 2025, below the threshold. The debt service-to-revenues ratio, at 39 percent in 2022 is projected to decline to 12 percent in 2026 (below the 14 percent threshold), when most of the external commercial debt will have been repaid. In addition, the debt service-to-exports ratio is currently above its indicative threshold of 10 percent but is projected to decline below 10 percent by 2024 and remain below the threshold in subsequent years. The PV of debt-to-exports ratio is below its indicative threshold and projected to decline to an average of 36 percent over 2026–31.

13. All indicators of external public debt breach their indicative thresholds in stress test scenarios (Figure 1). Standard shock scenarios examine the implications of various shocks to the debt and debt-service paths based on the historical volatility of the country's economic indicators, resulting in sharp increases in the debt burden and liquidity indicators in all cases. The exports shock stress test is the most extreme for all indicators, reflecting the Republic of Congo's high dependence on oil exports. A decline in exports to a level equivalent to one standard deviation below their historical average in the second and third years of the projection period would cause the PV of debt-to-exports ratio to rise and remain elevated over the medium term, while the PV of debt-to-GDP would peak at 108 percent. For the debt service-to–revenue ratio, a one-time depreciation has the largest impact. The market financing risk module indicates a moderate risk of heightened liquidity pressures. However, a heightened market stress event would not have a substantial impact on debt burden indicators (Figure 5).[12]

14. Reflecting unresolved external arrears of US$157 million owed to India's Exim Bank; Chinese companies, and ten small external commercial creditors, the Republic of Congo is classified to be "in debt distress". DSSI treatment of all pre-HIPC arrears for which Congo

[12] EMBIG data for the Republic of Congo is not available. The bond, due to mature in 2029, was trading at a discount of 19 percent over par with a yield to maturity of 13.06 percent and a spread of 1084 bps over 7 year US treasury bond as on March 13, 2022 (Source: Data Stream, https://www.federalreserve.gov/releases/h15/).

requested treatment has been received. The clearance of remaining external arrears would be required to end the ongoing episode of debt distress. As all the debt ratios are below the debt thresholds in 5 years, the debt is assessed to be sustainable.

3. Public Debt Sustainability Analysis

15. An analysis of the Republic of Congo's overall public debt highlights heightened overall debt vulnerabilities (Figure 2). The projected evolution of debt burden indicators suggests heightened vulnerabilities arising from public debt. Under the baseline scenario, the present value of public and publicly guaranteed debt-to-GDP (including domestic arrears and past direct financing from BEAC prior to initiation of the ECF arrangement) remains significantly above the 35 percent benchmark level associated with heightened vulnerabilities for countries with a weak debt carrying capacity until 2030 and then remains below the threshold for the remainder of the horizon. Even though the PV of public debt breaches its benchmark until 2030, it is assessed as sustainable given that liquidity risks are mitigated by i) its downward path going forward, and ii) availability of financing from Congolese financial markets, where banks have high liquidity ratios. This assessment of debt vulnerabilities is further supported by stress-tests; the growth shock stress test is the most extreme for public debt burden indicators, highlighting downside risk related to an inability to clear arrears if the growth remains subdued. The implementation of priority structural reforms results in stronger, more inclusive, and more sustainable growth under the baseline. In contrast, Historical scenarios point towards perennially rising PV of debt-to-GDP and PV of debt-to-exports ratios (Figure 2), which reflect large historical residuals and low growth rates.

Text Table 7. Republic of Congo: Comparison of PPG Gross External Debt Indicators, Baseline Scenario

	2021	2022	2023	2024	2027	2032
			PV of Debt-to-GDP Ratio			
Current DSA		39.9	35.2	30.5	24.5	15.5
2021 ECF DSA	47.0	42.0	38.3	33.3	26.5	17.7
			PV of Debt-to-Exports Ratio			
Current DSA		50.7	48.2	42.9	41.5	30.3
2021 ECF DSA	69.6	63.9	61.8	54.3	50.2	38.8
			Debt Service-to-Exports Ratio			
Current DSA		13.5	10.8	8.5	4.6	3.2
2021 ECF DSA	9.9	12.7	11.3	9.6	3.9	4.0
			Debt Service-to-Revenue Ratio			
Current DSA		38.8	29.5	22.6	10.6	6.5
2021 ECF DSA	29.0	33.3	28.5	23.9	8.5	7.6

Sources: Congolese authorities; IMF and WB staff calculations and projections.

RISK RATING AND VULNERABILITIES

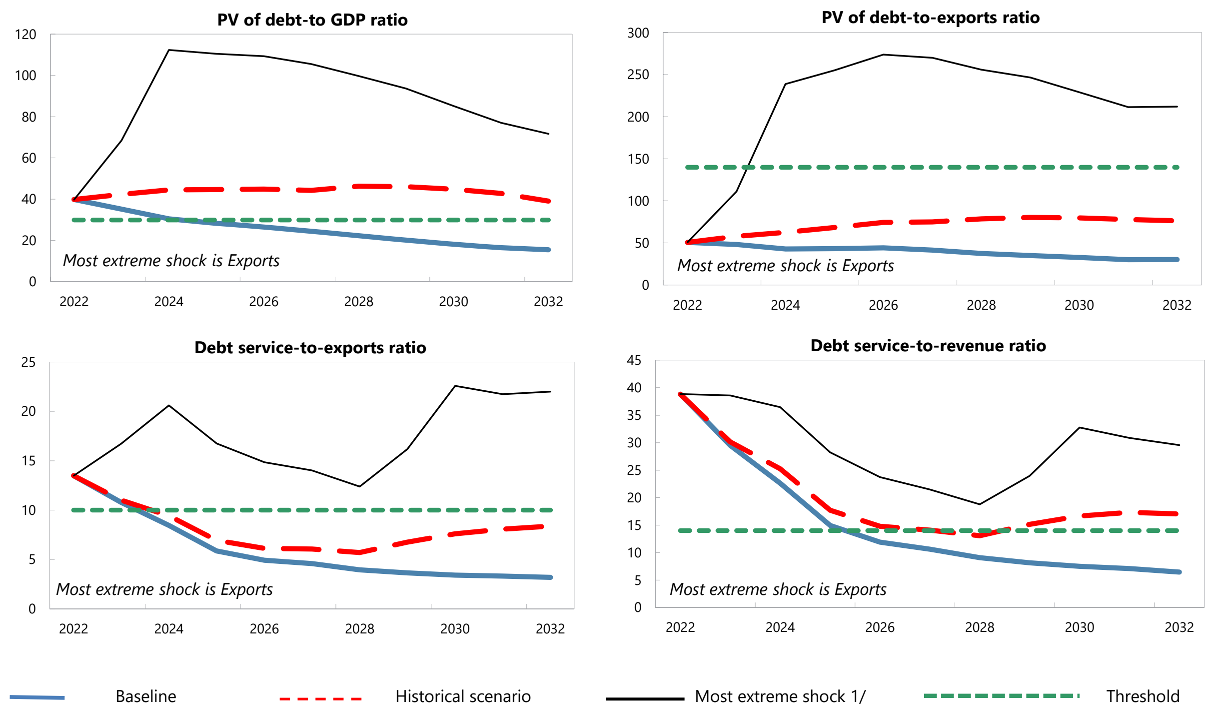
16. The overall and external debt of the Republic of Congo are assessed to be sustainable, but debt is currently in distress. The assessment of debt distress is a result of the ongoing debt restructuring negotiations with Chinese commercial creditors and outstanding arrears to suppliers. Owing to higher oil prices and the downward trend in all the debt and solvency indicators, the breach in the debt service-to-revenue indicator is contained by 2026 and the breach in the present value of external debt-to-GDP indicator is below the threshold by 2026. These, combined with no new accumulation of domestic and external arrears, result in the overall and external debt being sustainable.

17. Risks of overall and external debt distress remain high given liquidity risks and vulnerability to negative oil price shocks. Liquidity risks, associated with an elevated public debt-to-GDP ratio (exceeding the threshold through 2030) and a large external debt service-to-revenue ratio (the indicator exceeds the threshold through 2023), are mitigated by the steady and significant declines in these ratios going forward, the availability of financing from Congolese financial markets, and diversification efforts that will bear dividends in the form of non-oil exports and higher contribution of non-oil sectors towards GDP growth. Going forward, the authorities are encouraged to continue pursuing fiscal consolidation, enact policies for diversification to reduce risks and prepare for reduced long-term oil production and demand, finalize the pending restructuring agreement, clear arrears, and enhance debt management.

AUTHORITIES' VIEWS

18. The authorities concurred with staff's assessment that Congo is in debt distress and that debt is sustainable owing to favorable oil prices and the authorities' reform and restructuring efforts. The authorities stressed their commitment to maintaining debt sustainability and enhancing debt transparency through prudent fiscal and debt management policies, improved debt management capacity, and better quality and more timely recording of debt statistics. The authorities were also confident of adhering to all the future scheduled debt service and not accumulating any new arrears. The authorities also indicated that macroeconomic assumptions underpinning the DSA analysis, including projections for oil production, should remain appropriately cautious while information on new oil discoveries is still being analyzed. The authorities agreed that while there are downside risks to the growth outlook, the Congolese economy has the potential to benefit from the development of new sectors, and from increased social spending and diversification efforts to cope with challenges facing oil sector in the context of climate change and the global transition to low carbon economies.

Figure 1. Republic of Congo: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2022–32



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	No	No
Commodity Prices [2/]	No	No
Market Financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	5	5

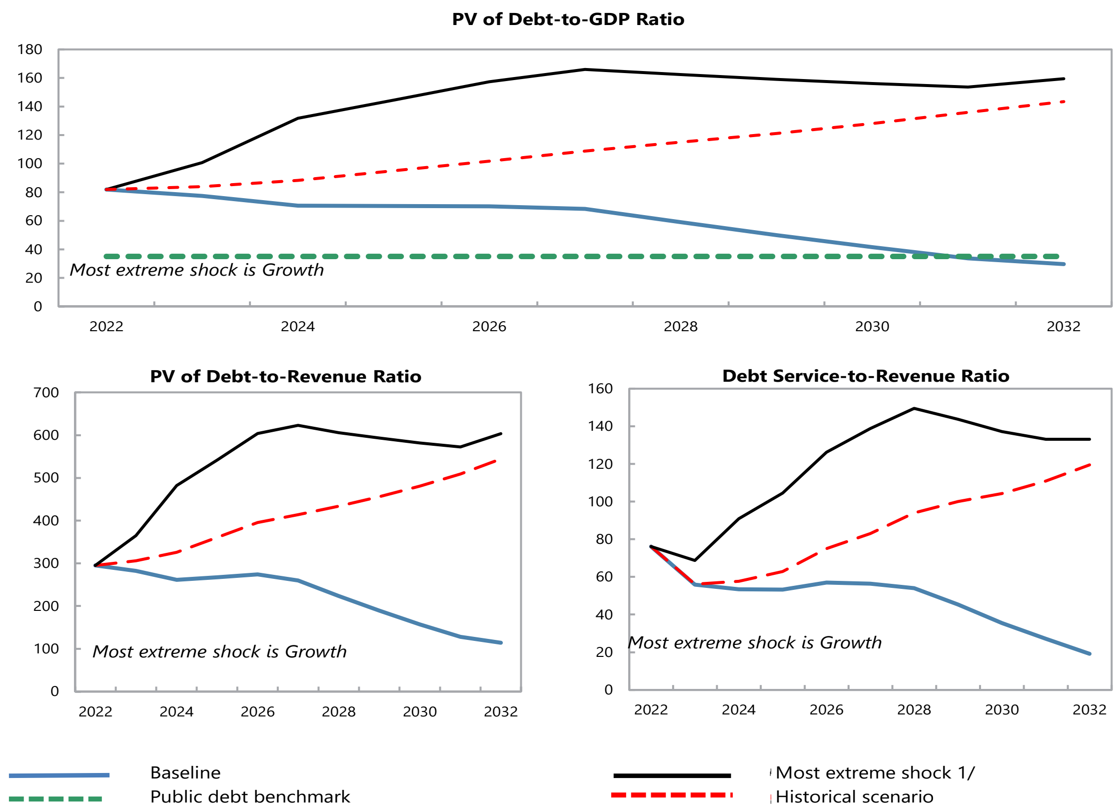
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Republic of Congo: Indicators of Public Debt Under Alternative Scenarios, 2022–32



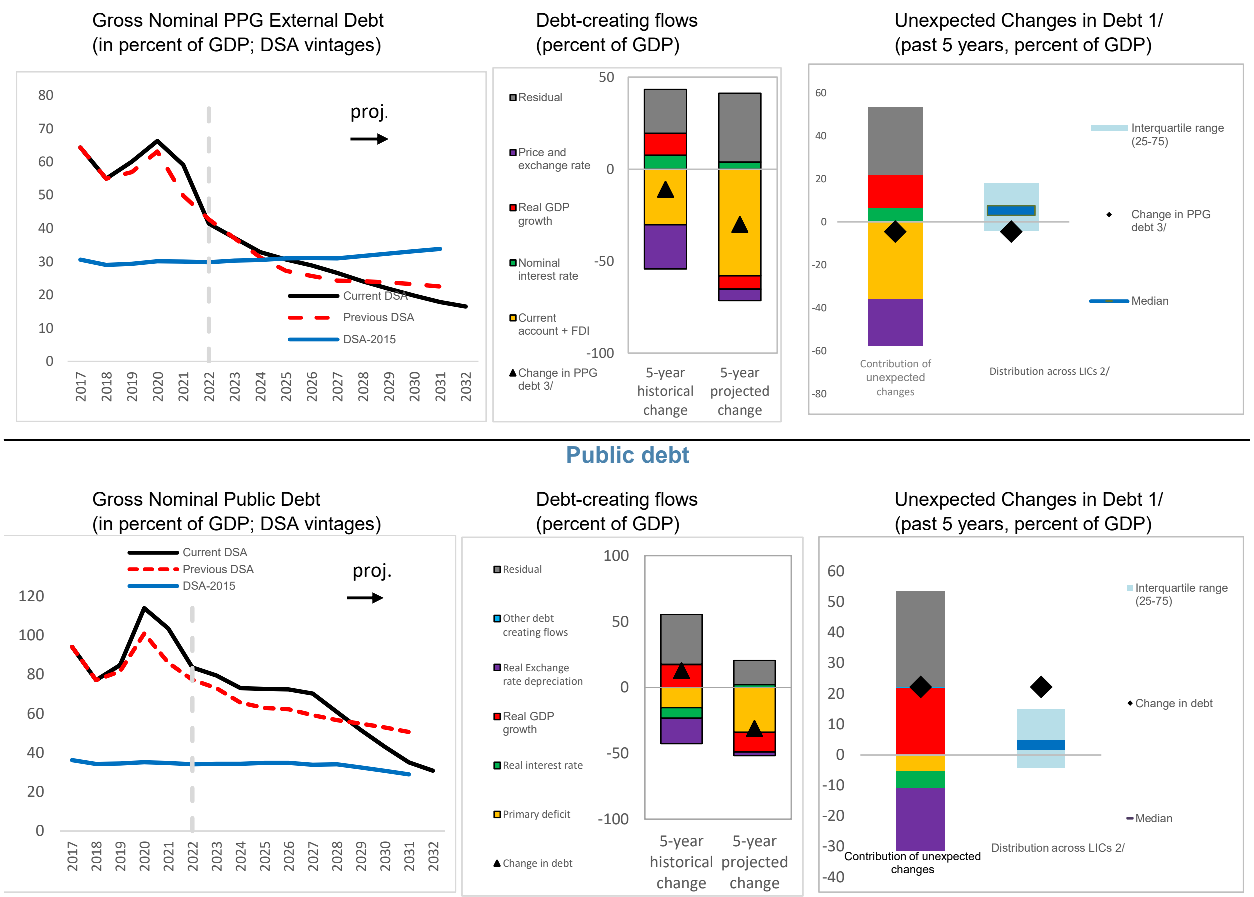
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	31%	31%
Domestic medium and long-term	63%	63%
Domestic short-term	6%	6%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.6%	3.6%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	3.6%	3.6%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Republic of Congo: Drivers of Debt Dynamics—Baseline Scenario



Sources: Congolese authorities and IMF staff projections.

1/ Difference between anticipated and actual contributions on debt ratios.

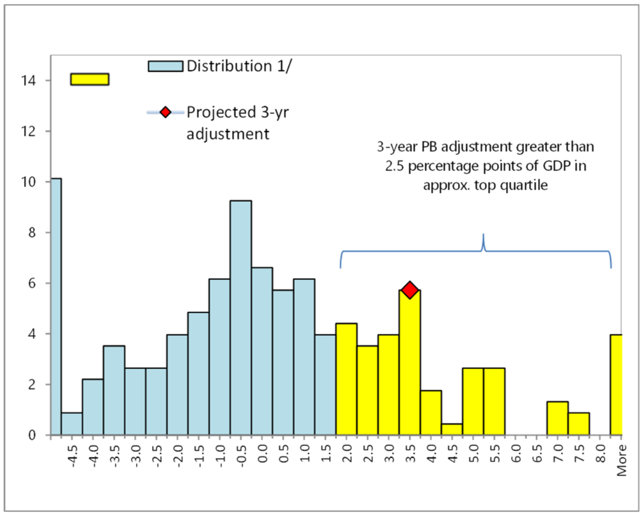
2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

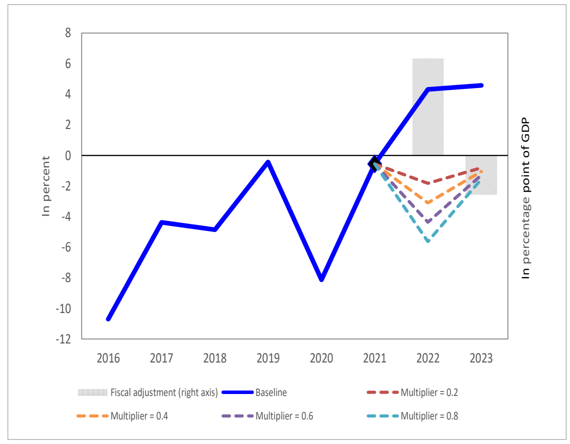
Figure 4. Republic of Congo: Realism Tools

3-Year Adjustment in Primary Balance 1/

(Percentage points of GDP)

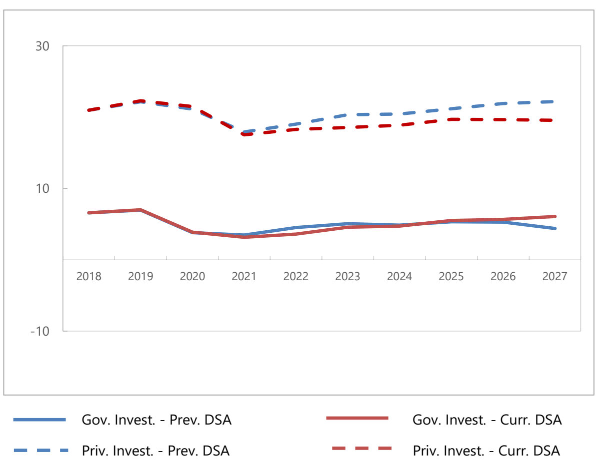


Fiscal Adjustment and Possible Growth Path 2/



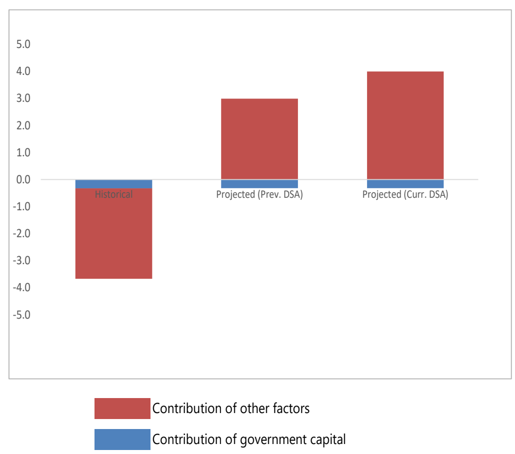
Public and Private Investment Rates 3/

(Percent of GDP)



Contribution to Real GDP Growth

(Percent, 5-year average)



Sources: Congolese authorities and IMF staff estimates.

1/ Data covers Fund-supported programs for LICS (excluding emergency financing) approved since 1990. The size of 3-year adjustment for program inception is found on the horizontal axis, the percent of sample is found on the vertical axis.

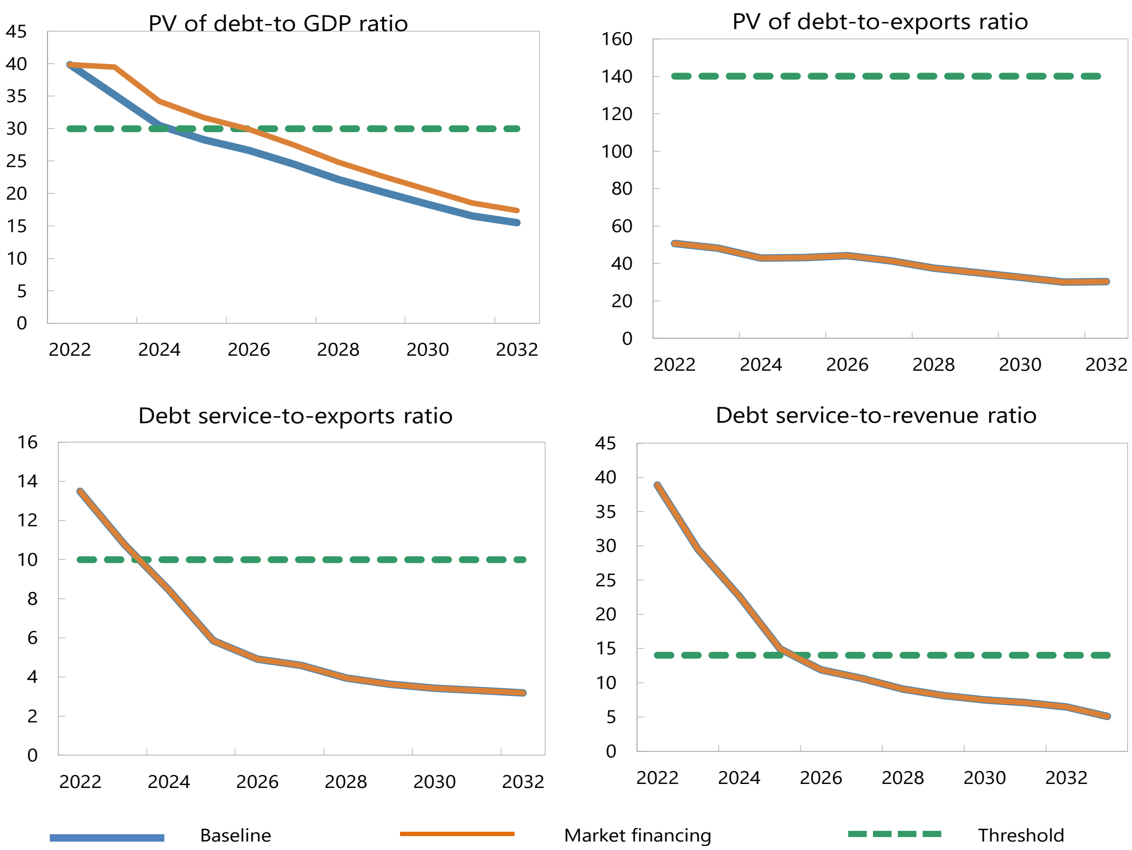
2/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

3/ The changes in investment reflect a change in the methodology for computing the price index used to convert norminal investment to investment at constant prices; this does not reflect a change in actual investment rates.

Figure 5. Republic of Congo: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	10	n.a.
Breach of benchmark	No	n.a.
Potential heightened liquidity needs	Moderate	

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; and staff estimates and projections.

Note: Data Stream, https://www.federalreserve.gov/releases/h15/

EMBIG data for the Republic of Congo is not available. The bond, due to mature in 2029, was trading at a discount of 19 percent over par with a yield to maturity of 13.06 percent and a spread of 1084 bps over 7-year US treasury bond as on March 13, 2022

Table 1a. Republic of Congo: Gross Public Debt by Creditor, 2020–22

	2020			September 30, 2021[2]			February 28, 2022[2]		
	CFAF Billion	USD Million	Percent of GDP	CFAF Billion	USD Million	Percent of GDP	CFAF Billion	USD Million	Percent of GDP
Total public debt	**6767**	**12555**	**114.0**	**7091**	**12794**	**101.2**	**7294**	**12498**	**83.6**
External debt	**3938**	**7307**	**66.3**	**3919**	**7071**	**55.9**	**4122**	**7064**	**47.3**
Of which: arrears	744	1380	12.5	714	1289	10.2	378	648	4.3
Multilateral and other creditors	484	899	8.2	519	936	7.4	624	1070	7.2
IMF	26.0	48	0.4	25.9	47	0.4	79.5	136	0.9
IDA/IBRD	185	343	3.1	217	392	3.1	230	394	2.6
AfDB	227	422	3.8	232	419	3.3	243	416	2.8
IFAD	14	26	0.2	15	26	0.2	15	26	0.2
Others	32	59	0.5	29	52	0.4	57	98	0.7
Official bilateral	1621	3007	27.3	1608	2902	23.0	1855	3179	21.3
Paris Club	239	443	4.0	240	433	3.4	238	408	2.7
Brazil	25	47	0.4	26	48	0.4	52	88	0.6
Belgium	86	160	1.5	87	158	1.2	59	101	0.7
France	105	195	1.8	106	191	1.5	106	182	1.2
Russia	17	31	0.3	17	30	0.2	17	30	0.2
Switzerland	5	10	0.1	4	7	0.1	4	6	0.0
Non-Paris Club	1382	2564	23.3	1368	2468	19.5	1617	2771	18.5
China	1139	2114	19.2	1112	2006	15.9	1355	2322	15.5
India	70	130	1.2	78	141	1.1	69	119	0.8
Kuwait	30	57	0.5	31	56	0.4	32	55	0.4
Turkey	43	81	0.7	44	80	0.6	45	77	0.5
Pre-HIPC arrears (not restructured)	99	183	1.7	103	185	1.5	116	198	1.3
Private Creditors	1833	3401	30.9	1792	3234	25.6	1643	2815	18.8
Chinese companies	242	450	4.1	276	497	3.9	278	476	3.2
London Club (eurobond)	148	274	2.5	144	260	2.1	141	242	1.6
Oil-prepurchased debt	907	1683	15.3	852	1538	12.2	884	1514	10.1
Glencore	299	554	5.0	304	548	4.3	436	747	5.0
Trafigura	518	961	8.7	494	891	7.0	441	756	5.1
Orion	90	168	1.5	55	99	0.8	6	11	0.1
Afreximbank	75	138	1.3	59	106	0.8	49	84	0.6
Suppliers	461	856	7.8	461	832	6.6	291	498	3.3
Domestic debt1	**2829**	**5248**	**47.6**	**3172**	**5723**	**45.3**	**3172**	**5435**	**36.4**
BEAC advances	572	1061	9.6	572	1032	8.2	572	980	6.6
Domestic claims[2,3,4]	898	1667	15.1	1365	2463	19.5	1365	2339	15.7
Arrears reported by CCA	1358	2520	22.9	1235	2228	17.6	1235	2116	14.2
Commercial	955	1773	16.1	832	1501	11.9	832	1425	9.5
Social and pensions	403	748	6.8	403	727	5.8	403	690	4.6

Sources: Congolese authorities and IMF staff estimates.

[1] Data updated until the end of September 2021.

[2] Revisions from Article IV reflect enhanced debt coverage of T-Bills and revisions on domestic bonds data from 2020 onwards.

[3] Domestic arrears do not include audited arrears for 2019-2020 as they are not completed yet.

[4] CEMAC regional market financing is classified as domestic debt in the DSA but as external debt in the balance of payments' financial account

Table 1b. Republic of Congo: Decomposition of Public Debt and Debt Service by Creditor, 2021–23[1/]

	Debt Stock (end of period)			Debt Service						
	2021			2021	2022	2023		2021	2022	2023
	(In Million US$)	*(Percent total debt)*	*(Percent GDP)* [7]	*(In US$)*				*(Percent GDP)*		
Total	12,181	100	96.4	1,332	1,733	2,511		12.9	13.7	16.8
External	6,787	56	53.7	881	982	1,591		8.5	7.8	10.6
Multilateral creditors[2,3]	835	6.9	6.6	37	34	58		0.4	0.3	0.4
IMF	45	0.4	0.4	…	…	…	…	…	…	…
World Bank	319	2.6	2.5	…	…	…	…	…	…	…
ADB/AfDB/IADB	392	3.2	3.1	…	…	…	…	…	…	…
Other Multilaterals	79	0.6	0.6	…	…	…	…	…	…	…
o/w: BDEAC	30	0.2	0.2	…	…	…	…	…	…	…
IFAD	24	0.2	0.2	…	…	…	…	…	…	…
Bilateral Creditors	2,793	22.9	22.1	602	364	402		5.8	2.9	2.7
Paris Club	412	3.4	3.3	195	24	146		1.9	0.2	1.0
o/w: France	182	1.5	1.4	…	…	…	…	…	…	…
Belgium	148	1.2	1.2	…	…	…	…	…	…	…
Non-Paris Club	2,382	19.6	18.8	407	341	256		3.9	2.7	1.7
o/w: China	1,964	16.1	15.5	…	…	…	…	…	…	…
India	121	1.0	1.0	…	…	…	…	…	…	…
Commercial creditors[2]	3,159	25.9	25.0	196	540	1,068		1.9	4.3	7.1
o/w: Bonds	255	2.1	2.0	45	43	41		0.4	0.3	0.3
o/w: Trafigura			-							
Glencore			-							
Other international creditors			-							
o/w: list largest two creditors			-							
list of additional large creditors			-							
Domestic	4875	40.0	38.6	452	752	921		4.4	5.9	6.1
Held by residents, total										
Held by non-residents, total										
T-Bills[8]	…	…	…	…	…	…	…	…	…	…
Bonds[6, 8]	1548	12.7	12.2	431	730	892		4.2	5.8	6.0
Loans	986	8.1	7.8	21	22	28		0.2	0.2	0.2
Memo items:										
Collateralized debt[4]										
o/w: Related	1,563	…	12.4	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…
Contingent liabilities										
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities[5]	277	…	2.2							
Nominal GDP	12,641	…	…	…	…	…	…	…	…	…

Sources: Congolese authorities and IMF staff estimates.

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/ A breakdown of commercial creditors, including debt owed to oil traders, is not shown in the table due to capacity constraints/confidentiality clauses.

3/Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

6/ Data on T-Bills and bonds are collected together.

7/ Calculated with debt stock and GDP in local currency units.

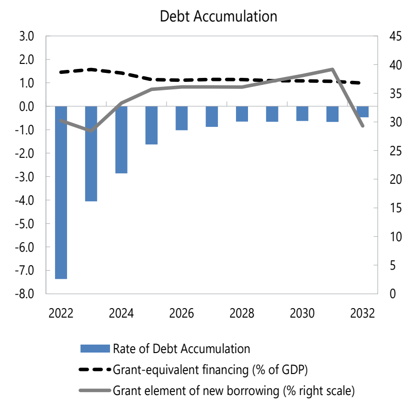
8/ T-Bills and T-Bonds are grouped together.

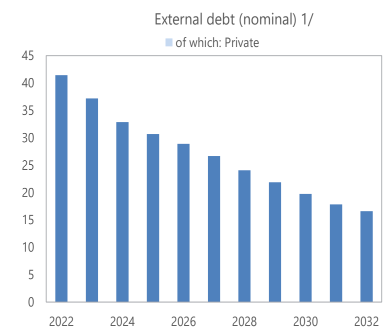
Table 2. Republic of Congo: External Debt Sustainability Framework, Baseline Scenario, 2019–42

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	60.0	66.3	59.1	41.4	37.2	32.9	30.7	28.9	26.6	16.6	7.3	50.8	27.1
of which: public and publicly guaranteed (PPG)	60.0	66.3	59.1	41.4	37.2	32.9	30.7	28.9	26.6	16.6	7.3	50.8	27.1
Change in external debt	5.0	6.3	-7.2	-17.7	-4.2	-4.3	-2.2	-1.8	-2.3	-1.3	-0.7		
Identified net debt-creating flows	-0.3	11.7	-28.9	-23.6	-14.8	-12.7	-5.9	-4.4	-3.8	0.5	0.7	-2.1	-7.6
Non-interest current account deficit	-3.3	-0.7	-13.6	-18.4	-8.8	-5.3	-0.9	-0.1	1.5	5.5	3.8	4.5	-2.0
Deficit in balance of goods and services	-14.3	-8.5	-22.2	-27.8	-18.1	-15.1	-9.8	-8.4	-6.5	-2.4	1.4	-1.9	-10.7
Exports	68.4	54.9	66.3	78.7	73.1	71.1	65.5	60.4	59.2	51.2	28.1		
Imports	54.1	46.5	44.1	50.9	55.0	56.0	55.7	52.0	52.7	48.8	29.6		
Net current transfers (negative = inflow)	2.6	-1.2	-0.1	-0.1	-0.4	-0.2	-0.2	-0.3	-0.3	-0.4	-0.3	1.4	-0.3
of which: official	-0.7	-1.7	-0.5	-0.4	-0.7	-0.5	-0.6	-0.7	-0.7	-0.8	-0.7		
Other current account flows (negative = net inflow)	8.3	9.0	8.7	9.5	9.6	10.0	9.2	8.5	8.3	8.3	2.7	5.0	9.0
Net FDI (negative = inflow)	-3.5	-2.6	-4.1	-4.2	-5.0	-5.5	-5.1	-4.6	-4.8	-5.1	-2.8	-8.7	-5.0
Endogenous debt dynamics 2/	6.6	15.1	-11.1	-1.0	-1.0	-1.8	0.0	0.3	-0.5	0.1	-0.3		
Contribution from nominal interest rate	2.9	0.8	1.0	1.2	0.9	0.7	0.6	0.5	0.5	0.3	0.1		
Contribution from real GDP growth	0.3	6.0	0.3	-2.2	-1.9	-2.5	-0.6	-0.2	-1.0	-0.2	-0.4		
Contribution from price and exchange rate changes	3.4	8.3	-12.4	...	...	...	...	...	...	...	...		
Residual 3/	5.3	-5.4	21.7	5.9	10.6	8.3	3.7	2.6	1.5	-1.8	-1.4	5.9	3.7
of which: exceptional financing	0.0	-2.6	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	54.6	39.9	35.2	30.5	28.3	26.7	24.5	15.5	7.1		
PV of PPG external debt-to-exports ratio	...	...	82.4	50.7	48.2	42.9	43.2	44.1	41.5	30.3	25.3		
PPG debt service-to-exports ratio	9.7	14.1	11.7	13.5	10.8	8.5	5.9	4.9	4.6	3.2	2.4		
PPG debt service-to-revenue ratio	25.5	37.6	33.1	38.8	29.5	22.6	14.9	11.9	10.6	6.5	3.2		
Gross external financing need (Million of U.S. dollars)	-32.7	456.3	-1261.5	-1795.7	-905.8	-785.0	-346.5	-303.3	-99.3	495.3	716.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	-0.4	-8.1	-0.6	4.3	4.6	7.1	1.7	0.6	3.5	1.0	5.6	-1.7	3.4
GDP deflator in US dollar terms (change in percent)	-5.9	-12.1	23.1	13.7	-2.7	-0.9	0.3	1.6	1.6	2.8	2.9	1.2	2.6
Effective interest rate (percent) 4/	5.0	1.0	1.8	2.4	2.1	2.0	1.8	1.8	1.7	1.5	1.9	1.9	1.8
Growth of exports of G&S (US dollar terms, in percent)	-9.9	-35.1	47.7	40.7	-5.6	3.3	-6.0	-5.7	2.9	-3.6	6.7	1.9	4.2
Growth of imports of G&S (US dollar terms, in percent)	-12.3	-30.7	16.3	36.8	9.9	8.0	1.5	-4.5	6.4	2.8	5.6	-1.4	7.4
Grant element of new public sector borrowing (in percent)	...	...	...	30.2	28.4	33.3	35.7	36.1	36.1	29.3	29.3	...	34.5
Government revenues (excluding grants, in percent of GDP)	26.0	20.6	23.4	27.3	26.7	26.6	25.7	25.0	25.5	25.2	20.6	28.0	25.9
Aid flows (in Million of US dollars) 5/	276.1	327.3	360.6	181.8	260.4	330.0	281.8	264.4	286.0	250.8	392.4		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.5	1.6	1.4	1.1	1.1	1.1	1.0	0.9	...	1.2
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	38.4	42.7	43.4	54.6	58.2	59.0	64.4	74.2	...	56.1
Nominal GDP (Million of US dollars)	12,791	10,330	12,641	14,989	15,243	16,174	16,500	16,876	17,735	24,062	43,376		
Nominal dollar GDP growth	-6.3	-19.2	22.4	18.6	1.7	6.1	2.0	2.3	5.1	3.8	8.7	-0.5	6.1
Memorandum items:													
PV of external debt 7/	...	...	54.6	39.9	35.2	30.5	28.3	26.7	24.5	15.5	7.1		
In percent of exports	...	...	82.4	50.7	48.2	42.9	43.2	44.1	41.5	30.3	25.3		
Total external debt service-to-exports ratio	9.7	14.1	11.7	13.5	10.8	8.5	5.9	4.9	4.6	3.2	2.4		
PV of PPG external debt (in Million of US dollars)			6907.3	5975.4	5367.5	4931.5	4668.1	4499.3	4350.5	3727.3	3090.9		
(PVt-PVt-1)/GDPt-1 (in percent)				-7.4	-4.1	-2.9	-1.6	-1.0	-0.9	-0.5	-0.1		
Non-interest current account deficit that stabilizes debt ratio	-8.4	-7.0	-6.4	-0.7	-4.6	-1.0	1.3	1.7	3.8	6.8	4.5		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

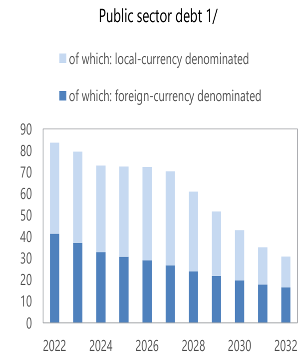
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

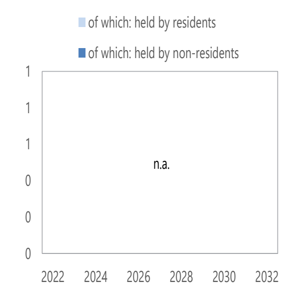
Table 3. Republic of Congo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–42

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	84.8	114.0	103.6	83.7	79.5	73.1	72.6	72.4	70.3	30.8	28.9	74.5	61.2
of which: external debt	60.0	66.3	59.1	41.4	37.2	32.9	30.7	28.9	26.6	16.6	7.3	50.8	27.1
Change in public sector debt	7.7	29.2	-10.3	-19.9	-4.2	-6.4	-0.5	-0.2	-2.1	-4.2	-1.1		
Identified debt-creating flows	-2.5	16.4	-14.9	-28.8	-6.0	-9.1	-3.4	-2.3	-4.8	-6.7	-1.5	4.8	-9.5
Primary deficit	-7.9	-0.1	-3.9	-10.2	-7.7	-7.5	-4.9	-3.7	-3.9	-5.9	0.5	2.1	-7.2
Revenue and grants	26.7	22.2	23.9	27.8	27.4	27.1	26.3	25.7	26.2	26.0	21.4	28.5	26.5
of which: grants	0.8	1.7	0.5	0.4	0.7	0.5	0.6	0.7	0.7	0.8	0.8		
Primary (noninterest) expenditure	18.8	22.1	20.0	17.5	19.8	19.6	21.4	21.9	22.3	20.1	21.9	30.6	19.3
Automatic debt dynamics	5.5	17.0	-11.0	-18.5	1.7	-1.6	1.5	1.4	-0.8	-0.7	-2.0		
Contribution from interest rate/growth differential	2.6	12.3	-7.3	-11.5	-0.5	-2.8	0.8	1.2	-0.9	-0.6	-1.9		
of which: contribution from average real interest rate	2.3	4.8	-8.0	-7.2	3.2	2.5	2.1	1.6	1.5	-0.3	-0.3		
of which: contribution from real GDP growth	0.3	7.5	0.6	-4.3	-3.7	-5.3	-1.3	-0.5	-2.4	-0.4	-1.6		
Contribution from real exchange rate depreciation	2.8	4.7	-3.6	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	10.1	12.8	4.5	1.8	3.9	3.8	3.7	2.3	2.8	2.3	0.3	2.1	2.5
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	101.7	81.9	77.4	70.7	70.2	70.2	68.2	29.7	28.7		
PV of public debt-to-revenue and grants ratio	...	...	425.8	295.1	282.1	261.2	267.1	273.7	260.1	114.3	134.3		
Debt service-to-revenue and grants ratio 3/	27.4	70.3	76.4	76.1	55.9	53.4	53.3	57.0	56.4	19.2	31.4		
Gross financing need 4/	-0.6	15.0	14.4	10.3	7.1	7.0	9.1	10.9	10.8	-0.9	7.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-0.4	-8.1	-0.6	4.3	4.6	7.1	1.7	0.6	3.5	1.0	5.6	-1.7	3.4
Average nominal interest rate on external debt (in percent)	5.2	1.0	1.7	2.5	2.1	2.0	1.8	1.8	1.7	1.5	1.9	1.9	1.8
Average real interest rate on domestic debt (in percent)	2.1	18.1	-13.5	-14.3	8.3	6.5	5.5	4.2	3.8	-1.0	-1.5	0.6	1.6
Real exchange rate depreciation (in percent, + indicates depreciation)	5.0	7.2	-5.6	...	...	...	...	...	...	...	...	3.3	...
Inflation rate (GDP deflator, in percent)	-0.7	-13.8	18.7	19.3	-4.0	-2.0	-0.7	0.8	1.1	2.8	2.9	2.2	2.7
Growth of real primary spending (deflated by GDP deflator, in percent)	7.9	8.2	-10.1	-8.6	18.0	6.2	11.0	3.2	5.2	18.4	4.0	-1.6	3.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-15.6	-29.3	6.4	9.7	-3.5	-1.1	-4.5	-3.5	-1.9	-1.7	1.6	-12.8	-0.6
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments plus social security, central bank, government-guaranteed debt. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 4. Republic of Congo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022–32

(Percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	PV of debt-to GDP ratio										
Baseline	**40**	**35**	**30**	28	27	25	22	20	18	17	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**40**	**42**	**45**	**45**	**45**	**44**	**46**	**46**	**45**	**43**	**39**
B. Bound Tests											
B1. Real GDP growth	**40**	**43**	**48**	**45**	**42**	**39**	**35**	**32**	29	26	24
B2. Primary balance	**40**	**39**	**44**	**44**	**45**	**44**	**43**	**41**	**40**	**38**	**37**
B3. Exports	**40**	**69**	**112**	**111**	**109**	**106**	**100**	**94**	**85**	**77**	**72**
B4. Other flows 3/	**40**	**46**	**51**	**49**	**48**	**46**	**43**	**39**	**36**	**32**	**30**
B5. Depreciation	**40**	**45**	**39**	**36**	**34**	**31**	28	26	23	21	20
B6. Combination of B1-B5	**40**	**61**	**76**	**73**	**72**	**68**	**64**	**59**	**53**	**48**	**45**
C. Tailored Tests											
C1. Combined contingent liabilities	**40**	**43**	**40**	**39**	**40**	**40**	**38**	**37**	**36**	**35**	**34**
C2. Natural disaster	**40**	**38**	**34**	**32**	**31**	30	28	26	25	23	23
C3. Commodity price	**40**	**41**	**41**	**40**	**39**	**37**	**34**	**32**	29	27	25
C4. Market Financing	**40**	**39**	**34**	**32**	30	27	25	23	21	19	17
Threshold	30	30	30	30	30	30	30	30	30	30	30
	PV of debt-to-exports ratio										
Baseline	51	48	43	43	44	41	38	35	33	30	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	51	58	63	68	74	75	79	80	80	78	76
B. Bound Tests											
B1. Real GDP growth	51	48	43	43	44	41	38	35	33	30	30
B2. Primary balance	51	54	62	67	74	75	73	72	71	69	73
B3. Exports	51	111	**239**	**255**	**274**	**270**	**256**	**247**	**229**	**212**	**212**
B4. Other flows 3/	51	62	71	75	79	77	72	69	64	59	59
B5. Depreciation	51	48	43	43	44	42	38	35	33	30	30
B6. Combination of B1-B5	51	82	72	109	115	112	105	99	92	85	85
C. Tailored Tests											
C1. Combined contingent liabilities	51	59	56	60	66	67	65	64	64	63	67
C2. Natural disaster	51	53	49	50	53	52	48	47	45	43	45
C3. Commodity price	51	61	62	65	68	65	59	57	53	50	50
C4. Market Financing	51	48	43	43	44	41	38	35	33	30	30
Threshold	140	140	140	140	140	140	140	140	140	140	140
	Debt service-to-exports ratio										
Baseline	**13**	**11**	**8**	**6**	5	5	4	4	3	3	3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**13**	**11**	**9**	**7**	6	6	6	7	8	8	8
B. Bound Tests											
B1. Real GDP growth	**13**	**11**	**8**	**6**	5	5	4	4	3	3	3
B2. Primary balance	**13**	**11**	**9**	**7**	**6**	6	5	5	6	6	6
B3. Exports	**13**	**17**	**21**	**17**	**15**	**14**	**12**	**16**	**23**	**22**	**22**
B4. Other flows 3/	**13**	**11**	**9**	**7**	6	5	5	5	6	6	6
B5. Depreciation	**13**	**11**	**8**	**6**	5	5	4	4	3	3	3
B6. Combination of B1-B5	**13**	**13**	**13**	**9**	**8**	8	7	9	**9**	**9**	**9**
C. Tailored Tests											
C1. Combined contingent liabilities	**13**	**11**	**9**	**6**	5	5	4	4	4	4	4
C2. Natural disaster	**13**	**11**	9	6	5	5	4	4	4	4	4
C3. Commodity price	**13**	**12**	**10**	**7**	6	5	5	5	5	5	5
C4. Market Financing	**13**	**11**	**8**	**6**	5	5	4	4	3	3	3
Threshold	10	10	10	10	10	10	10	10	10	10	10
	Debt service-to-revenue ratio										
Baseline	**39**	**29**	**23**	**15**	12	**11**	**9**	**8**	**7**	**7**	**6**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**39**	**30**	**25**	**18**	**15**	**14**	**13**	**15**	**17**	**17**	**17**
B. Bound Tests											
B1. Real GDP growth	**39**	**36**	**36**	**24**	**19**	**17**	**14**	**13**	**12**	**11**	**10**
B2. Primary balance	**39**	**29**	**24**	**18**	**15**	**14**	**12**	**12**	**13**	**12**	**12**
B3. Exports	**39**	**39**	**36**	**28**	**24**	**21**	**19**	**24**	**33**	**31**	**30**
B4. Other flows 3/	**39**	**29**	**23**	**17**	**14**	**12**	**11**	**12**	**14**	**13**	**13**
B5. Depreciation	**39**	**38**	**29**	**19**	**15**	**14**	**12**	**10**	**10**	**9**	**8**
B6. Combination of B1-B5	**39**	**36**	**35**	**25**	**20**	**18**	**16**	**20**	**21**	**20**	**19**
C. Tailored Tests											
C1. Combined contingent liabilities	**39**	**29**	**23**	**16**	**13**	**12**	**10**	**9**	**9**	**8**	**8**
C2. Natural disaster	**39**	**29**	**23**	**15**	**12**	**11**	**9**	**9**	**8**	**8**	**7**
C3. Commodity price	**39**	**33**	**26**	**18**	**14**	**13**	**11**	**11**	**11**	**11**	**10**
C4. Market Financing	**39**	**29**	**23**	**15**	**12**	**11**	**9**	**8**	**7**	**7**	**6**
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 5. Republic of Congo: Sensitivity Analysis for Key Indicators of Public Debt, 2022–32 1/

(Percent)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
					PV of Debt-to-GDP Ratio						
Baseline	**82**	**77**	**71**	**70**	**70**	**68**	**59**	**50**	**42**	34	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**82**	**84**	**88**	**95**	**102**	**109**	**115**	**121**	**128**	**136**	**143**
B. Bound Tests											
B1. Real GDP growth	**82**	**101**	**132**	**144**	**157**	**166**	**162**	**159**	**156**	**154**	**159**
B2. Primary balance	**82**	**94**	**109**	**110**	**110**	**108**	**97**	**87**	**77**	**68**	**64**
B3. Exports	**82**	**94**	**114**	**115**	**116**	**113**	**102**	**91**	**79**	**68**	**61**
B4. Other flows 3/	**82**	**88**	**91**	**91**	**92**	**89**	**79**	**69**	**59**	**50**	**44**
B5. Depreciation	**82**	**85**	**76**	**73**	**72**	**68**	**58**	**48**	**38**	30	24
B6. Combination of B1-B5	**82**	**91**	**106**	**112**	**118**	**120**	**113**	**106**	**100**	**94**	**94**
C. Tailored Tests											
C1. Combined contingent liabilities	**82**	**111**	**102**	**102**	**101**	**98**	**88**	**78**	**69**	**60**	**56**
C2. Natural disaster	**82**	**88**	**81**	**81**	**81**	**79**	**69**	**60**	**52**	**44**	**40**
C3. Commodity price	**82**	**82**	**89**	**104**	**120**	**131**	**130**	**127**	**125**	**123**	**129**
C4. Market Financing	**82**	**77**	**71**	**70**	**70**	**68**	**59**	**50**	**42**	34	30
Public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
					PV of Debt-to-Revenue Ratio						
Baseline	295	282	261	267	274	260	224	189	158	128	114
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	295	306	326	361	396	414	434	456	481	509	545
B. Bound Tests											
B1. Real GDP growth	295	365	482	542	604	623	606	593	582	573	603
B2. Primary balance	295	344	403	417	431	410	367	328	292	257	245
B3. Exports	295	344	421	436	451	432	388	346	300	257	236
B4. Other flows 3/	295	320	336	346	357	340	301	262	224	188	171
B5. Depreciation	295	310	280	279	280	260	219	181	145	112	94
B6. Combination of B1-B5	295	330	392	424	457	456	427	402	378	355	361
C. Tailored Tests											
C1. Combined contingent liabilities	295	403	377	386	395	375	333	296	260	227	216
C2. Natural disaster	295	320	298	306	315	301	263	229	197	167	155
C3. Commodity price	295	328	359	434	498	519	501	481	473	466	495
C4. Market Financing	295	282	261	267	274	260	224	189	158	128	114
					Debt Service-to-Revenue Ratio						
Baseline	76	56	53	53	57	56	54	45	35	27	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	76	56	58	63	75	83	94	100	104	111	119
B. Bound Tests											
B1. Real GDP growth	76	69	91	105	126	139	150	144	137	133	133
B2. Primary balance	76	56	73	94	102	104	97	80	68	58	50
B3. Exports	76	56	55	57	61	60	57	53	49	40	32
B4. Other flows 3/	76	56	54	55	59	58	56	49	42	33	25
B5. Depreciation	76	57	58	55	57	56	53	45	35	27	19
B6. Combination of B1-B5	76	59	68	76	87	91	95	88	79	72	67
C. Tailored Tests											
C1. Combined contingent liabilities	76	56	84	85	95	98	82	70	58	47	37
C2. Natural disaster	76	57	63	64	70	71	65	55	45	36	27
C3. Commodity price	76	62	61	73	93	105	118	115	110	107	108
C4. Market Financing	76	56	53	53	57	56	54	45	35	27	19

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Statement by Mr. Aivo Andrianarivelo, Executive Director for the Republic of Congo; Mr. Regis N'Sonde, Alternate Executive Director; and Mr. Mohamed Sidi Bouna, Senior Advisor to the Executive Director

June 24, 2022

Introduction and Overview

On behalf of our Congolese authorities, we would like to thank staff for the constructive policy discussions held in the context of the first review under the ECF-supported program.

In 2021, the effects of the Covid-19 pandemic and the drop in oil prices, combined with the absence of financial support by the international community, have led to a difficult year in the Republic of Congo, marked by another economic recession. While the country's outlook has improved since with the rise in oil prices, the resumption in investments in the oil sector, and the continued recovery in the non-oil sector, the Congolese economy, overall, remains fragile and continues to face significant challenges. Congo's financing needs are significant and while debt sustainability has been restored, debt service remains very high and continues to weigh heavily on the budget and external accounts.

The authorities are also aware of the need to accelerate the transition to a more diversified economy away from oil, as global oil demand declines in response to the effects of climate change. Continued efforts are also necessary to create more fiscal space to help both preserve debt sustainability and finance the transition to a more diversified growth while reassuring partners to help mobilize much-needed external financing. Next to these major medium-term challenges, more immediate concerns have emerged, including as a result of the repercussions of the war in Ukraine on global food prices and their impact on the poor whose situation had already weakened due to the pandemic.

The ECF arrangement remains appropriately in line with the authorities' National Development Plan which seeks to address Congo's key growth and development challenges. The ongoing implementation of the Fund-support program is progressing satisfactorily and the ECF continues to benefit from CEMAC policy assurances.

In particular, the fiscal situation is improving thanks to the implementation of measures to strengthen domestic revenue mobilization and expenditure and debt management while domestic arrears continue to be repaid steadily. The diversification of the economy is promoted through reforms aimed at strengthening the business environment and governance and increasing the efficiency of the financial sector.

Recent Economic Developments, Outlook, and Risks

The economic recovery is gaining momentum, but prospects remain uncertain.

The oil sector has improved substantially in recent months with the increase in oil prices, following the 2021 contraction due to a decline in investments in the sector. The improvement in the non-oil sector, which began in 2021, continues in 2022, supported by a strengthening of the agricultural sector and mining, as well as the acceleration in the repayment of domestic arrears. The non-oil primary fiscal deficit, which increased from 15.2 percent of non-oil GDP in 2020 to 17.3 percent in 2021 due to the pandemic, is expected to narrow to 15.3 percent in 2022. The current account surplus is forecast to strengthen to 17.2 percent of GDP in 2022 from 12.6 percent in 2021. Inflation which remained relatively low and stable in 2021, at 2 percent on average, will rise to 3.5 percent in 2022 driven by higher import prices. The banking sector's vulnerabilities have diminished, and, in particular, non-performing loans (NPLs) have declined, as the economy continues to recover, and domestic arrears are being repaid.

In the medium term, real GDP growth is expected to strengthen to an average of 3.5 percent over the period 2023-2027, benefiting from both favorable oil prospects and a continued expansion of the non-oil sector. The latter is projected to grow by 5 percent in 2026 and 2027. However, the country faces numerous risks and considerable uncertainty. In addition to the lingering effects of the pandemic, the Congolese economy is also subject to extremely volatile oil prices, as well as an acceleration of inflation resulting from the spillovers of the war in Ukraine, and the need to cope with the impact of climate change.

Program Implementation

The authorities are making satisfactory progress in the implementation of the ECF arrangement.

All quantitative performance criteria under the first review were met, as well as all the indicative targets, except the one on poverty-reducing expenditures as some related projects had to be delayed. In addition, among the two structural benchmarks for the first review, the one on PFM reforms has been implemented. The second benchmark, however, was only partially implemented: while Parliament approved the new anti-corruption law, the decree on the rules and procedures pertaining to conflicts of interest was delayed due to longer-than-expected discussions in Parliament. The authorities will finalize and publish the decree related to conflicts of interest rules and procedures included in the anti-corruption law before the end of July 2022.

The authorities request a modification of quantitative criteria on the non-oil primary fiscal balance and net domestic financing to enable them to use the additional oil revenues resulting from the current elevated oil prices and mitigate the impact of the rapid rise in inflation on the population.

Pursuing Prudent Fiscal Policy

The authorities' fiscal policy seeks to balance the preservation of debt sustainability with the scaling up of poverty reduction expenditures and the promotion of economic diversification.

The 2022 budget makes further progress towards fiscal consolidation while also introducing measures to mitigate the effects of the rapid rise in food prices on the poor. To that effect, the exceptional oil revenues expected in 2022 will be used to finance measures aimed at increasing social assistance under the emergency cash transfer program. These additional oil revenues will also enable the authorities to maintain reduced VAT rates and customs duties on imports of essential food products. All remaining exceptional oil revenues will be saved at the central bank, BEAC.

The authorities will also continue to implement the reforms initiated in 2019 which seek to reduce transfers and subsidies to public enterprises, particularly the refinery CORAF (Congolaise de Raffinage) and the electricity company CEC (Centrale Electrique du Congo). Transfers to those companies will be reduced and capped in 2022 compared to 2021.

The authorities will increase spending on health, education, social assistance, and basic infrastructure. Regarding social expenditures, in particular, as the authorities extend pandemic-related emergency cash transfers to households facing food insecurity following the rapid increase in food prices, coverage of the cash transfer program will increase from 230,000 beneficiaries to 300,000 by the end of 2022.

Capital expenditure will increase to 7.3 percent of non-oil GDP in 2022 and reach an estimated 7.6 percent of non-oil GDP in 2023. To strengthen project planning, the authorities will introduce medium-term public investment programming in 2022, with technical assistance from FAD, with the objective of selecting projects based on the priorities set forth in the 2022-2026 National Development Plan, as well the promotion of economic diversification and CEMAC regional economic development program.

Preserving Debt Sustainability

Along with fiscal consolidation, the authorities will implement prudent debt management and transparency policies in an effort to preserve debt sustainability and gradually reduce total public debt from 104 percent of GDP in 2021 to 85 percent in 2022 and 67 percent by 2027.

To that effect, in addition to refraining from external borrowing on non-concessional terms, neither the central government nor parties acting on behalf of the central government will incur new external debt secured by future deliveries of natural resources, including any new oil-for-infrastructure pre-financing arrangements.

The authorities are also determined not to accumulate any new domestic or external arrears. They will pursue their efforts to repay domestic arrears on a regular basis, with the goal of clearing all domestic arrears by 2031. These domestic arrears repayments —with a haircut applied to private sector claims and no haircut on social claims— will depend on the availability of resources.

A comprehensive medium-term debt management strategy, covering the period 2023-25 and aimed at reducing the public sector's borrowing costs while also containing risks related to indebtedness is currently being developed with the technical assistance of the IMF.

Advancing Structural Reforms and Improving Governance

Promoting economic diversification and the adaptation of the Congolese economy to climate change while continuing to improve governance and transparency are high on the authorities' reform agenda.

The National Development Plan for 2022-2026 has identified priority sectors for development, including agriculture, manufacturing, tourism, and digitalization. On governance and transparency, the authorities have taken substantial measures to address weaknesses in these areas. A new law on the fight against corruption was adopted by Parliament in February 2022 and enacted in March 2022. The law fully complies with the United Nations Convention against Corruption. The authorities remain committed to ensuring full transparency on the use of emergency spending during the pandemic. They have hired an international reputable audit firm to review all COVID-19 related expenditures incurred during 2020 and 2021. The results of the audit for the year 2020 will be published by end-June 2022, and the results for 2021, by end-December 2022.

The authorities will also pursue key reforms in the energy sector. To that effect, they have hired an internationally renowned firm to produce reconciliation reports on the oil sector's financial flows. They will also publish on the website of the Ministry of Finance, the list of all the holders of oil concessions, as well as mining and forestry. The reconciliation reports on oil financial flows and the list of concessions holders will be published by the end of June 2022.

Conclusion

The ongoing economic recovery in the Republic of the Congo is expected to strengthen further throughout 2022. However, the country's overall economic situation remains fragile, and the financial resources needed to address the daunting challenges that lie ahead are significant.

The authorities reiterate their strong determination to pursue sound policies to maintain macroeconomic stability while sustaining the recovery and assisting the poor. The structural reform agenda they have embarked on should help the country address existing vulnerabilities and pave the way for more sustained growth, with a view to meet its development objectives.

The authorities continue to view the IMF's assistance as critical to meeting their goals, including by catalyzing other partners' support. They seek Executive Directors' approval of the completion of the first review under the ECF arrangement and request for modification of performance criteria.