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THIRD REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, WAIVERS OF NONOBSERVANCE 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 July 19, 2023, following discussions that ended on May 19, 2023, 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 29, 2023.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Supplementary information to the Staff Report.**
- 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

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IMF Executive Board Completes the Third Review of the Extended Credit Facility Arrangement for the Republic of Congo and Approves US$43 million disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the third review under the Extended Credit Facility, allowing for an immediate disbursement of SDR 32.4 million (about US$43 million)
- Strengthened economic recovery remains fragile amid moderating oil prices and an uncertain global environment.
- Some progress has been achieved on structural reforms, but sustained efforts to step up reform implementation in public financial and debt management, governance, and transparency will be critical to attaining higher, more resilient, and inclusive growth. Continued energy sector reforms remain particularly essential.

Washington, DC – July 19, 2023: The Executive Board of the International Monetary Fund (IMF) completed today the third review of the Republic of Congo's economic program under the SDR 324 million Extended Credit Facility (ECF), which was approved on January 21, 2022. The completion of the review allows for the immediate disbursement of SDR 32.4 million (about US$43 million), bringing total disbursements under the ECF to SDR 226.8 million. This financing from the IMF will continue to help the authorities implement their development policies, maintain macroeconomic stability and strengthen economic recovery amid high food inflation, lower oil prices and tightening financial conditions.

Structural reforms continued to advance in some areas, but the program underperformed in several areas. Progresses were achieved in procurement planning, debt reporting, and efforts to increase transparency. However, three out of five performance criteria related to the fiscal position and debt service management were missed, prompting authorities to request waivers for these three criteria and take strong corrective measures. Authorities will continue to pursue two reform benchmarks aiming for additional transparency in the management of natural resources and higher fiscal revenues.

Fiscal policy will focus on reducing fragilities while maintaining debt sustainability. Development spending and payment of domestic arrears will be accelerated with the resources freed from reduced oil-related transfers in line with gradual fuel price deregulation coupled with targeted social assistance to protect the most vulnerable population. Concurrently, fiscal consolidation will be supported by revenue mobilization, including eliminating exemptions in the hydrocarbon sector.

Building on recent advances, sustained structural reform implementation is needed. Improved management of public finances especially on public investment and debt will facilitate larger, more effective, and higher quality development spending. Broader governance reforms, encompassing anti-corruption and transparency, will also be critical for improving the business environment.

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 has continued though substantial risks remain amid an uncertain global environment. Social and infrastructure spending, domestic arrears payments, and gradual reform implementation are supporting economic activity. Inflation is expected to pick up moderately before falling back to target level as easing import prices mitigate domestic energy price adjustments. Key risks to the outlook include vulnerabilities of investment and trade to potential escalation of regional conflicts around the globe, climate shocks, lower oil prices and production, and weaker reform implementation.

"Program underperformance needs to be addressed. End-December performance criteria on the non-oil primary balance and net domestic financing were missed due to increased oil-related subsidies, higher domestic spending, and larger accumulation of escrow deposits. The continuous zero ceiling performance criterion on new external arrears was breached by delayed debt service payments. Progress has been achieved in advancing structural reforms, two out of five structural benchmarks have been met on time, and one has been implemented with delay. Strong corrective actions have been taken to address underperformance. Looking ahead, steadfast implementation of reforms remains key to keep the program on track.

"The authorities re-iterated their commitment to pursuing higher, more resilient, and inclusive growth while maintaining macroeconomic stability and debt sustainability. To this end, the authorities are encouraged to pursue fiscal consolidation, while stepping up social and development spending. Key measures include the reduction of oil-related subsidies consistent with a gradual fuel price deregulation coupled with increased social assistance for the vulnerable, broadening of the tax base, and stepped-up collection of tax arrears. Strengthened management of public finances and debt will also be critical to more effective public spending.

Much-needed economic diversification, founded in private investment, will hinge on deepening structural reforms, especially further operationalizing the new anti-corruption architecture, addressing gaps in the AML/CFT framework, raising financial inclusion, and ensuring steadfast implementation of state-owned enterprise reforms. Tackling climate vulnerabilities would also be important."

INTERNATIONAL MONETARY FUND

REPUBLIC OF CONGO

June 29, 2023

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

EXECUTIVE SUMMARY

Context. As declining oil prices and rising funding costs challenge Congo's economic recovery, public debt remains high, and additional fiscal consolidation needs to compensate past fiscal slippages. Newly recognized domestic arrears and the temporary accumulation of new external arrears impede progresses made in debt repayment, implying that debt remains sustainable but "in distress". Economic recovery will depend on regaining fiscal space, reducing debt levels, and continuing reforms promoting improvements in revenue generation, debt management, governance, and transparency. The second review of the three-year Extended Credit Facility (ECF) arrangement (SDR 324 million, 200 percent of quota) that was concluded by the IMF Executive Board on February 6, 2023, provided support for this process.

Outlook and risks. Higher oil production and continued diversification in agriculture, mining, manufacturing, and services continue to support Congo's economic recovery in 2023. Congo's efforts to preserve the rainforest in the Congo Basin may attract additional foreign private financing. However, policy slippages, especially continued fuel subsidies, possibly lower oil prices, more intense regional conflicts, tighter financial conditions, adverse weather conditions, and uncertainties around the volume of contingent debt represent downside risks.

Program performance was weak. Three out of five performance criteria, two out of five indicative targets, and three out of five structural benchmarks were missed. Strong corrective actions address this underperformance. These include a presidential decree issued at end-May 2023 to set lower limits for public expenditures, revising effectively the 2023 budget to reverse the 2022 fiscal slippages; a further reduction of fuel subsidies by increasing gasoline fuel prices by 25 percent in early July (prior action); progress in the reorganization of the debt management office, and the broadening of the tax base.

Program strategy. Reduced fuel subsidies and rationalized expenditures will achieve a return to a debt reduction path in 2023 and beyond. Non-oil tax revenues will be boosted by recovering tax arrears, removing tax and duty exemptions, and regularizing

SOEs' dividend payments. Targeted social transfers will help assuage undesired impacts on vulnerable groups. Continued debt repayment to oil traders once finished, will successively open up fiscal space for infrastructure investments, preparing the ground for economic diversification. The ECF arrangement will support this strategy by catalyzing development partner financing and will be backed up 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 Fabian Valencia (SPR)

Discussions on the review for an ECF-supported program were held in Brazzaville during May 8–19, 2023. The staff team comprised Mr. Kpodar (head), Ms. El Idrissi, Mr. Hespeler, Mr. Islam (all AFR), Mr. Chaudry, Mr. de Carvalho Filho (both SPR), Ms. Zarazinski (LEG), Mr. Million (Resident Representative), and Mr. Nsongui Tonadio (local economist). Mr. Kramarenko (AFR) and Ms. Nkusu (Senior Advisor to the Executive Director) joined part of the mission. Ms. Adjahouinou assisted in preparing the staff report. The mission held discussions with the Hon. Mr. Makosso Prime Minister, Hon. Mr. Ondaye Minister of Finance and Economy, Hon. Mr. Ngatsé Minister of Budget, and other senior officials. The mission also met with representatives of the private sector, civil society, and development partners.

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CONTEXT

1. Congo's economic fragilities underscore the importance of economic diversification, while declining oil prices and tighter global financial conditions pose challenges for achieving it. Economic diversification is needed to reduce Congo's fragilities (Annex 1), create jobs, and raise incomes—with the view to tackle high food insecurity, rising social tensions and poverty, and lack of economic opportunities. To this end, sustained reforms, including improving the quality of public infrastructure, social services, and governance, are key. However, fiscal space to support these activities will be constrained by reduced oil revenues—which are typically 2½ times non-oil revenues—combined with increased borrowing costs, against the backdrop of Congo's high debt levels (¶12).

2. The government's immediate policy priorities to tackle rising living cost need to be reconciled with the imperative of maintaining fiscal discipline and advancing governance reform to lay the ground for sustained economic growth, diversification, and the exit from fragility. In 2022, the Republic of Congo used administered prices, additional subsidies, and tax exemptions to absorb rising import costs driven by price pressures in global markets for energy, food, and other commodities, thereby containing cost-of-living pressures. The associated fiscal costs and the widening non-oil primary fiscal deficit implied that for 2023, fiscal consolidation is critical to put back the deficit and public debt firmly on a downward path. Necessary measures include the reduction of untargeted fuel price subsidies that were scaled up in 2022 to shield the population from higher global oil prices' impacts on domestic fuel prices. Carefully costed targeted social assistance should provide a more efficient way to protect vulnerable households. Supported by the targeted reduction in inefficient spending and higher nonoil revenues, as well as following a significant decrease in debt service payments, the authorities envisage over the medium term in their national development plan heavy investments in an upgrade of Congo's infrastructure and the transition to a better trained work force, laying thus the foundation for future economic growth and diversification. While progress in governance reforms supports this agenda, additional substantial efforts would still be needed for a more attractive business environment. Sizeable fiscal efforts will need to be maintained over the medium term to dissipate concerns over debt sustainability.

RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, AND RISKS

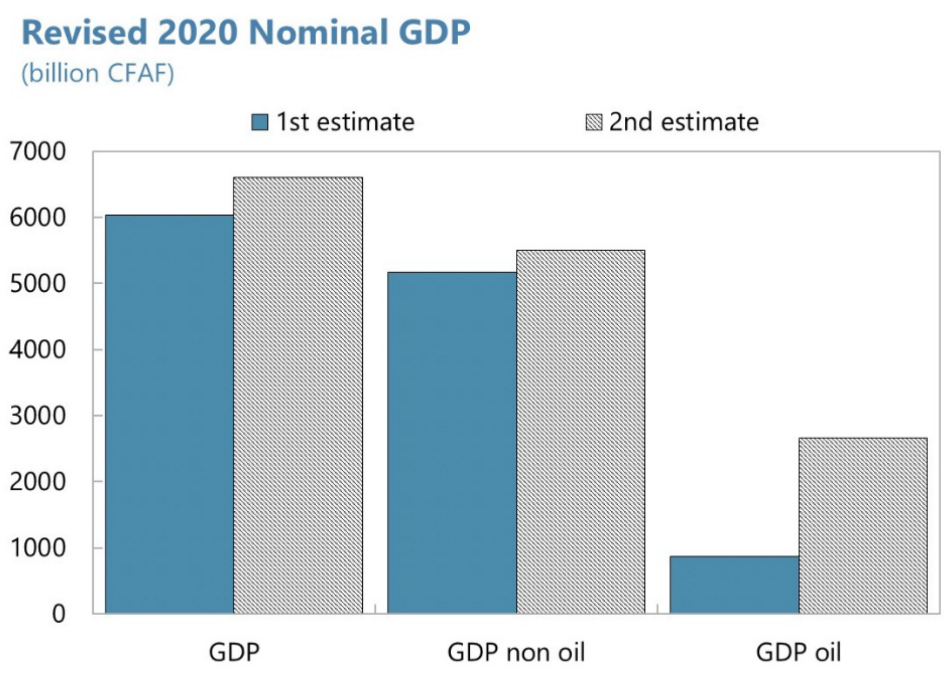
3. Post-pandemic recovery gained momentum in 2022, albeit at a slower pace than anticipated in the previous review. Overall economic growth, estimated at 1.7 percent based on the revised national account (Box 1), was driven by non-oil growth (3.3 percent). Consumption and investment were spurred by government spending (social spending and infrastructure), government's domestic arrears payments, and increased activity in agriculture, manufacturing, and services. In contrast to a small increase expected in CR 23/89, oil production continued to contract in 2022 (by 3.8 percent), reflecting equipment issues in some large fields. Inflation averaged 3.0

percent in 2022, where monetary policy tightening, nascent import substitution in a few sectors, and price administration for key staples and transport services offset price pressures from increased import costs that resulted from high global food and oil prices, inflated cross border transport costs, and the CFA franc depreciation against the U.S. dollar. Nevertheless, food inflation almost doubled, reaching 6.2 percent by end-2022.

Box 1. GDP data revision for the Republic of Congo

Congo's national statistical office (INS) released in February 2023 revised estimates for its 2020 and 2021 nominal GDP figures. The new 2020 estimate stands 9 percent higher than previously estimated, driven by a 29 percent upward revision in oil GDP and a 6 percent upward revision in non-oil GDP. The revision for 2021 would result in a GDP exceeding the IMF staff estimate reported in CR 23/89 by 22 percent. The INS reports that the revisions are due to the finalization of the balance of payments data and a correction in the data for oil production for the year 2020. Concerning the year 2021, the INS still flags the preliminary nature of the estimate, as the balance of payments data, as well as the data for oil production, are not finalized yet. Hence, this preliminary data has not been included in the IMF estimates. Going forward, the INS will, supported by technical assistance from AFRITAC Central, collaborate with all relevant stakeholders, including the Ministries of Economy and Finance and of Hydrocarbons, to get access to all information needed for finalized estimates.

The GDP revision has led to significant downward revisions in GDP-related ratios, including public debt (from 99.1 percent of GDP in CR 23/89 to 92.5 percent of GDP for 2022).



Source: INS.

4. The fiscal position for 2022 was substantially looser than targeted during the second review under the ECF arrangement (CR 23/89). The non-oil primary deficit widened by 0.8 percent of non-oil GDP relative to CR 23/89 mainly owing to substantially higher-than-anticipated oil-related transfers, driven by the sharp increase in the crude oil price in 2022H1 (Text Table 1) and persistent supply shortages. Revenue shortfalls—reflecting underperformance of domestic VAT—and higher-than-anticipated spending on social transfers and goods and services— relating to security issues and natural disasters—were broadly offset by lower capital spending. Nevertheless, the overall balance was higher than expected owing to substantially higher-than-projected oil revenues. Yet, the latter did not translate into a commensurate accumulation of government deposits at BEAC, mirroring larger clearance of domestic arrears, as well as lower net foreign financing (reflecting higher deposits in the escrow account held in China).

Text Table 1. Republic of Congo: Fiscal Performance, 2022

(Percent of non-oil GDP)

	2022		
	CR 23/89[1]	Prelim.	Difference
Revenues			
Oil revenues	26.9	32.1	5.1
Non-oil revenues	12.4	12.0	-0.4
Grants	0.8	0.9	0.1
Spending			
Current spending	25.4	27.1	1.7
Wages	6.2	6.2	0.0
Goods and services	3.1	3.5	0.4
Oil-related transfers	4.1	5.1	1.0
Social transfers	2.1	2.3	0.3
Other, including interest	10.0	10.1	0.1
Capital spending	5.9	5.1	-0.8
Domestically-financed	2.6	2.6	0.0
Foreign-financed	3.3	2.5	-0.8
Non-oil primary balance	**-14.8**	**-15.7**	**-0.8**
Primary balance	**12.1**	**16.4**	**4.3**
Overall balance, cash basis	**8.7**	**12.6**	**3.9**

[1] The reported numbers have been rebased to the 2022 nominal non-oil GDP resulting from the base effects of the 2020 GDP revision.

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

5. The current account benefited from high oil prices. Large oil export revenues drove the current account surplus to 19.4 percent of GDP —notwithstanding an inflated import bill due to spillovers from Russia's war in Ukraine (¶3). The surplus facilitated substantial debt service to external creditors, including the two largest external commercial creditors, regional commercial banks, and G20 DSSI creditors.

6. Banking system liquidity and solvency remain relatively healthy. The capital adequacy ratio reached 23 percent at end-2022, reflecting capital positions outpacing increases in risk-weighted assets, in part due to suspended dividend distribution. Non-performing loans (NPLs) remained around 17 percent—benefitting predominantly from continued payments of domestic arrears and the repayment of parts of state-owned enterprises' (SOE) debt, especially by Société Nationale des Pétroles du Congo (SNPC)—and NPL provisions stood at 62 percent by end-2022. Ample growth in commercial bank deposits facilitated a 5.1 percent increase of private sector credit. The restructuring of two weak banks continues, while most banks' resilience remained unperturbed by the unwinding of prudential relaxation provided during the pandemic.

7. The outlook is predicated on progress in structural and governance reforms to support economic diversification away from oil and towards more resilient and inclusive growth.

- Real GDP growth is expected to rise to 4 percent in 2023 and stabilize at about the same rate on average during 2024–28. The non-oil sector will be the main driver of growth, projected to expand by 3.9 percent in 2023 and level off at 4.8 percent by 2026-28. Growth in agriculture, mining, manufacturing, and services is expected to be supported by increased social spending (health care, education, and infrastructure), further domestic arrears payments, and reforms in governance, the financial sector, and the business environment. A more diversified economy is anticipated to create jobs, raise incomes across the population, and improve food security. Concurrently, oil production is projected to expand by 4.4 percent in 2023, with oil growth peaking at 6.5 percent in 2024, and then gradually decline as major oil fields mature.

- Inflation is expected to average 3.5 percent in 2023. Upward price pressures from fuel price adjustment and changes in billing procedures for electricity will be partially contained by lower import prices—in line with global price declines for food, oil, and transport, and tighter regional monetary policy. Medium-term inflation is projected to return to around 3 percent, consistent with the CEMAC inflation target. Together the sound outlook for growth and inflation provides the base for an optimistic perspective on the growth of credit granted to the private sector: the latter is expected to grow by 5.4 percent in 2023 and to plateau subsequently around an average yearly growth of 6.2 percent.

- Lower oil prices are anticipated to push down oil exports and reduce the current account surplus from 19.4 percent of GDP in 2022 to 3.9 percent in 2023. Subsequently, the current account will gradually soften, turning into a deficit of -2.3 percent of GDP by 2028—reflecting declining oil exports and increased imports supporting non-oil investment. Net external inflows will improve in line with progress in external debt service (public and private) and increased development partner project support and FDI.

8. Risks are tilted to the downside (Annex 2). Escalation of regional conflicts around the globe could adversely impact investment, exports, imports, remittances, and inflation. Volatile oil prices could, as the global transition to low-carbon economies evolves, weigh on oil production and revenues, adversely impacting external and fiscal balances. Broader investment could slow with further interest rate hikes and tightening external financing conditions. Continued fuel price subsidies could undermine fiscal sustainability, reduce scope for essential social and investment spending, and distort private investment decisions, hampering economic diversification. Adverse weather conditions could weigh on agricultural production, raising food insecurity and inflationary as well as fiscal pressures. On the upside, rapid reform implementation could boost support by development partners, raise productivity, and consequently notch up economic growth. High fertilizer and metal prices could increase mining investments (Congo has a globally significant potash basin), and there may be new low-cost oil and gas field discoveries. Preservation and afforestation of the Republic of Congo’s share of the Congo Basin may facilitate foreign private financing, such as environmental, social, and governance (ESG) bonds or carbon credits.

9. The authorities perceive substantial growth. Contingent on sufficient investments, authorities look optimistically at the economic outlook for 2023 and 2024, anticipating that strong growth in oil, the service industry, construction, and agriculture will result from buoyant private investment and consumption. Policies promoting vocational training, infrastructure development and the mechanization of agriculture will reinforce this momentum.

PROGRAM PERFORMANCE

10. Two end-2022 performance criteria (PCs) were missed, and the continuous QPC on non-accumulation of external arrears was breached. The adjusted basic non-oil primary balance target for December 2022 was missed by 0.3 percent of non-oil GDP, primarily due to excess oil-related transfers (¶4). Net domestic financing of the central government substantially exceeded its end-December 2022 target on account of additional oil revenues being geared to finance the higher domestic spending, stronger arrears repayments, and a larger accumulation of escrow deposits in China rather than used to build buffers (as deposits at BEAC). The performance criterion on the non-accumulation of external arrears was not met, as arrears were accumulated in March, even if subsequently resolved through payment.[1] The authorities request waivers of non-observance for the missed PCs based on corrective actions that support offsetting fiscal consolidation—including a prior action on fuel price adjustment, commitments to tighten the budget consistent with Table 2a, as well as a commitment to increase accumulation of deposits at BEAC during 2023–24, completion of a swift repayment of newly accumulated external arrears, and the additional policies discussed in ¶12. In addition, the authorities established in March 2023 a task force to improve communication flows and ensure timely payment of external debt obligations. Meanwhile a broader reorganization of the national debt management office aims to address debt management capacity bottlenecks in general. The indicative targets (ITs) on non-oil revenues and social spending for end-of December 2022 were missed due to weak performance in collection of VAT and prioritization of fuel subsidies over social spending. The remaining PCs of not contracting new non-concessional external debt and not contracting public debt guaranteed by future natural resources were met. All other ITs, i.e., the limit on disbursements of external loans for investment projects, the limit on new concessional debt, and the minimal level of domestic arrears to be repaid, were met as well.

11. Implementation of structural reforms has been weak. Only the two structural benchmarks (SB) related to the procurement planning template and the annual debt report have been implemented. The inventory of tax arrears with credible probabilities of recovery and a detailed strategy to support the collection process were not completed on time. The entry distribution prices (EDP) pricing formula was updated in time but did not account for improvements in CORAF's operating efficiency over the past three years. Full-fledged public cadaster systems in forestry and mining are not yet in place, with the existing public registers missing some data and not being

[1] About $2.5 million in external arrears to a bilateral creditor were accumulated in March 2023 and paid in May 2023. In addition, EUR 4.5 million in technical external arrears to another bilateral creditor were temporarily accumulated on payments to official creditors in May 2023. In the latter instance, swift repayment prevented that the payment delay exceeded the 30-days period for technical arrears.

publicly accessible online. The authorities have made commitments to continue work on the missed benchmarks to ensure their completion (MEFP ¶28).

POLICY DISCUSSIONS

Discussions focused on (i) 2022 fiscal slippages and their implications for the pursuit of higher, more resilient, and inclusive growth while maintaining macroeconomic stability and debt sustainability; (ii) needs for a more ambitious fiscal consolidation in 2023 and beyond, including through a continuation of gradual oil subsidies' removal, reprioritization of expenditures, and implementation of tax measures; (iii) extending and strengthening social safety nets; (iv) supporting the regional strategy for international reserves accumulation; and (v) strengthening reform momentum, especially in the management of public finances and debt, as well as governance.

A. Fiscal Policy

12. Fiscal policy should continue to support higher, more resilient, and inclusive growth while safeguarding debt sustainability.

- The revision of nominal GDP data for 2020 lifted the nominal GDP trajectory across the entire projection horizon (Box 1), while newly recognized social arrears worth CFAF 360 billion (4.2 percent of GDP) in 2023 and a slower-than-expected repayment of domestic arrears increased total public debt.[2] On a net basis, the debt trajectory weakened on average over the medium term (relative to CR23/89) by 8 percent of GDP.

- Considerable medium-term fiscal consolidation combined with significant oil revenues is needed to reduce external debt and repay domestic arrears—permitting public debt to decline from 92.5 to 72.3 percent of GDP between 2022 and 2028. Achieving the necessary medium-term fiscal consolidation while supporting economic growth and development will depend on reprioritizing spending and non-oil revenue mobilization. The share of spending on social assistance, healthcare, education, and other development needs should be increased, while reducing the total spending envelope (relative to 2022 outcomes). Fiscal space for this development spending can be created by reducing oil-related transfers. Gradual growth of non-oil revenues—supported by non-oil economic growth and revenue-enhancing measures (¶13)—should also drive improvements in the non-oil primary fiscal balance.

- Debt is assessed as "sustainable", though it is classified as "in distress" pending significant progress on avoiding recurrence of external arrears and addressing uncertainty about the magnitude of valid domestic arrears. Progress in external arrears repayments continued: the remaining external arrears owed to Non-Paris Club bilateral creditors have been completely

[2] Domestic arrears included in the debt stock are estimated at 17 percent of GDP in 2022 with 12 percent of GDP for commercial arrears and the rest for social arrears.

repaid. Hence only $14.6 million in external arrears owed to commercial suppliers remain yet unresolved (see ¶25).

- External debt has been steadily declining (by 12.7 percentage points of GDP in 2022) owing to high oil prices and debt service to the largest external commercial creditors being tied to oil prices, which also mitigates risks from negative oil price shocks.

- The practice of advancing transfers to Congo's escrow account with China—which is applied to future debt service—resumed in 2022H2. Potentially large balances in this account may imply a temporary liquidity loss, additional funding costs—if financed in domestic debt markets, and challenges in meeting the targets set for reserve accumulation at BEAC.

13. The 2023 budget should be tightened to compensate for the fiscal loosening in 2022 (¶4), upward debt revisions, and partly for declining oil revenues (relative to CR 23/89). This can be achieved through a combination of revenue and spending measures, targeting a 2023 non-oil primary deficit of 11.8 percent of non-oil GDP in place of 12.6 percent of non-oil GDP on unchanged policies (Text Table 2),[3] ensuring that the program still achieve its medium-term objective to bring non-oil primary balance and public debt back to less vulnerable levels.[4] Such consolidation (3.9 percentage point of non-oil GDP relative to the 2022 preliminary outturn, Text Table 2) would be driven by 1.2 percent of non-oil GDP improvement in non-oil revenue (largely reflected in the original 2023 budget), combined mainly with the elimination of the fuel subsidies introduced in the second half of 2022 (2.7 percent of non-oil GDP), of which about 0.3 percent of non-oil GDP is due to a lower oil import bill (Text Table 2). The authorities codified the fiscal adjustments needed with a presidential

Text Table 2. Republic of Congo: Fiscal Consolidation, 2023
(Percent of non-oil GDP)

	2022 (Prel.)	2023 (CR23/89)[1]	2023 (Proj.)	Change vs. 2022	Change vs. CR23/89
Revenues	**44.9**	**38.1**	**34.6**	**-10.3**	**-3.4**
Oil revenues	32.1	23.6	20.4	-11.7	-3.2
Non-oil revenue	12.0	13.3	13.1	1.2	-0.2
Direct taxes	4.7		4.8	0.1	4.8
Taxes on goods and services	4.1		4.7	0.6	4.7
Customs receipts	2.3		2.5	0.3	2.5
Non-tax revenue	0.9		1.1	0.2	1.1
Grants	0.9	1.1	1.1	0.2	0.0
Expenditure	**32.3**	**30.3**	**29.4**	**-2.9**	**-0.9**
Current expenditure	27.1	23.1	22.8	-4.3	-0.3
of which : Social transfers	2.3	2.4	2.7	0.4	0.3
Oil-related transfers	5.1	1.9	2.3	-2.7	0.4
Capital expenditure	5.1	7.2	6.6	1.4	-0.6
Non-oil primary balance	**-15.7**	**-12.6**	**-11.8**	**3.9**	**0.8**
Primary balance	**16.4**	**11.0**	**8.5**	**-7.9**	**-2.6**
Overall balance, cash basis	**12.6**	**7.7**	**5.2**	**-7.4**	**-2.5**

[1] The reported numbers have been rebased to the 2023 nominal non-oil GDP resulting from the base effects of the 2020 GDP revision.

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

[3] The 13.3 percent of non-oil GDP reported in CR 23/89 for the 2023 non-oil primary fiscal deficit (Table 2b) does not include the upward revision in 2020 GDP, which reduces the respective deficit to 12.6 percent of the revised non-oil GDP (Text Table 2).

[4] The revised 2023 non-oil primary balance target compensates partly for the 2023 projected shortfall in oil revenues (relative to CR23/89), falling short of the 2022 non-oil primary balance PC target, and allows for broadly maintaining targeted buffers (i.e., deposit increase net of half the shortfall in projected oil revenues).

decree at end-May 2023. In more detail, measures underpinning the consolidation to the reduced 2023 deficit target and, going forward, in the medium term, include:

- The increase of fuel prices needs to continue: gasoline prices will be increased by at least 10 percent before the completion of the third review (PA, Table 14). To deliver on their commitment under the ECF arrangement, the authorities decided to increase gasoline prices by 25 percent by early July 2023 (MEFP ¶9). This allows to achieve the targeted increase of 30 percent in 2023 ahead of schedule, while delaying the adjustment in diesel prices,[5] since the latter affects vulnerable households stronger, and could be a potential source for social tensions. In the meantime, the authorities plan to strengthen their communication strategy and accelerate the implementation of mitigating measures to alleviate inflationary repercussions on vulnerable households (SB end-of July 2023, Table 13a, see details below). Subsequent increases in diesel prices will achieve the original 30 percent increase envisaged at the second program review for the full year 2023 (¶12). This will pave the way for a phase-out of the fuel subsidies for oil imports by end-2024.

    - Fuel price adjustments in 2023 will ensure proportional price increases for gasoline and diesel fuels relative to December 2022 applying to retail and industrial clients. Going forward, government revenues collected as part of the retail fuel price formula will be deposited in an on-budget, transparent, and monitorable account (prior action (PA), Table 14).

    - Following the strategy adopted for the early 2023 price increase, the authorities have announced fuel price increases for July. The authorities agreed to also communicate the additional fuel price adjustments planned for the second half of 2023 to achieve a 30 percent adjustment in 2023 as committed under the second program review. Respective announcements will be accompanied by media reports, along with a close engagement with consumer and industry associations during which authorities will specify that once domestic fuel prices are aligned with international prices by end-2024, an automatic pricing mechanism (with a smoothing element to prevent sharp adjustments) will be adopted. The authorities will explain to stakeholders the drawbacks of fuel subsidies (e.g., an adverse environmental impact, unequal distribution, high fiscal opportunity cost) and how mitigating measures (e.g., subsidy on cooking fuels and public transport, as well as expanded coverage and the amount provided by the emergency cash transfer program) will assuage inflationary repercussions on vulnerable households. This strategy should, especially in the context of declining oil prices, help enhance public understanding of the reform.

- Maintain revenue-enhancing measures adopted over the past three years (detailed in CR 23/89), such as electronic payments, a broadening of the tax base, strengthened audits and customs goods valuation, and increased collection of tax and custom duties arrears.

[5] The early increase in gasoline price allows to partly offset the temporary fiscal cost due to the delayed adjustment in diesel price.

- The elimination of value-added tax (VAT) and customs duty exemptions for the SNPC and the obligation for the Congolaise de Raffinage (CORAF) to charge VAT on its sales (MEFP ¶9) are welcome. More broadly, progress with the comprehensive stock-taking of hydrocarbon-related VAT administration (end-June 2023 SB) suggests that it is likely to be met and the subsequent revision and simplification of hydrocarbon-related VAT tax laws into a single legislation planned for end-December 2023 should instill further confidence (SB, Table 13b) over Congo's capability to effectively broaden its tax base.

- Improve non-oil tax compliance, including for SOEs, through a mix of preventive actions (shorter notification periods, improved IT systems) and sanctions (e.g., exclusion from payment system, asset seizure) in coherence with international best practices and standards.

- Complete the reconciliation of dividend payments from the SNPC over the past years and ensure the recovery of unpaid dividends if any. The SNPC is expected to pay at least CFAF 10 billion of dividend in 2023 for the result of the 2022 financial year.

- Continue prioritizing social and development spending, especially in targeted social assistance, health care and sanitation, education, and agriculture, while striking a balance between providing relief from undesired side-effects of fuel price reforms and social expenditures earmarked for investment in physical infrastructure (Box 2).

- Substantially raise the target stock of government deposits at the Bank of Central African States (BEAC) relative to 2022. Notably, in 2022, despite exceptionally high oil revenues (net of external debt service), Congo's deposits rose only by CFAF 20 billion. While authorities commit to this measure, they expressed their belief that a slower pace of accumulation, could help to preempt the cost of forgone investments—and the associated gains from fiscal multiplier effects—and limitations on imports of inputs and equipment needed to source strategic development project.

Expected fiscal yields for the key fiscal measures introduced in 2023 will accumulate over 2023 to 2025 to 5.8 percent of non-oil GDP (Table 15). Authorities agree with measures proposed by staff, including the fuel price adjustment and the payment of dividends by the SNPC.

14. Medium-term fiscal consolidation requires continued momentum in underlying reforms. The continuation of measures implemented during 2019–23 is expected to reduce the non-oil primary deficit from 15.7 to 5.5 percent of non-oil GDP between 2022 and 2028. To reinforce these policies and proceed with progress towards lower debt vulnerabilities while still providing fiscal space for development spending and improving the business environment, a set of policy measures are recommended (MEFP ¶12). An action plan (analysis, publication, budget implications) for streamlining non-hydrocarbon tax exemptions (including in mining), the realistic assessment of revenues to be raised through dividends and taxes on non-hydrocarbon SOEs, the recovery of tax arrears and increased excise taxes—aligning those with CEMAC guidelines—can help generate additional revenues in 2024 as well as over the medium term. These measures will also support the implementation of related structural benchmarks.[6] Digitalizing tax revenue administration, streamlining custom clearance processes and transit procedures, and improving management and audit in the non-hydrocarbon sector is likely to generate additional revenue through efficiency gains and a broader tax base. Efforts to reform CORAF and CEC (the national electricity company) with the aim to reduce their subsidization should continue. First steps should comprise the analysis of both companies' production costs, the formulation of an action plan to raise their efficiency, and the transitioning to electricity billing that reflects actual electricity consumption. The assessment of fiscal risks would benefit from continued monitoring of risk drivers (spending overruns, revenue shortfalls, underproduction of oil), activating contingency plans (streamline non-essential spending, slow capital spending and arrears repayment) if needed and, for the medium term, completing the analysis of the financial status of decentralized government entities and SOEs.

B. Public Investment and Debt Management

15. Progress with debt reduction is weakened by newly recognized domestic arrears added to the existing debt stock. Authorities continued in 2022 with the repayment of domestic arrears, transferring CFAF 431 billion (5 percent of GDP) to creditors, while also servicing their external debt. These efforts are, however, complicated by the recognition of CFAF 360 billion (4 percent of GDP) of new domestic social arrears (for a major part related to pensions) which resulted from a reevaluation of CFAF 427 billion of contingent liabilities, including social and commercial arrears, rejected by a previous audit. Another CFAF 240 billion in domestic arrears incurred over 2019 to 2022 are currently audited. Higher-than-expected domestic borrowing and tighter global financing conditions also add to concerns about the trajectory of Congo's domestic debt. The announcement of a multi-year domestic arrears payment plan (MEFP ¶9) would help assuage such concerns.

16. Debt management reforms should promote coordination, transparency, and institutional efficiency. Further progress in restructuring the debt management office (Caisse Congolaise d'Amortissement) (CCA) will help enhance its accountability and effectiveness. Essential steps include switching to the new organigram, allocating staff and training them, and adopting the new operations manual (MEFP ¶20). Improvements in debt recording and quality assurance for the single debt database continue, including the coverage of SOE's debt. To further promote transparency, a quarterly debt bulletin that covers stock and flow data, as well as details on the debt of SOEs, will be published starting in March 2024 (SB, Table 13b). Staff reemphasized the relevance of smooth information sharing and coordination across CCA, the Treasury, and BEAC. Authorities have entrusted a special task force with pushing this agenda forward and ensuring timely debt repayments. Arrears on external debt realized in March, even if subsequently resolved, put additional emphasis on the urgent need for further progress around debt management capacities.

17. Public investment management reforms should improve practices in project execution and integrate climate aspects in project selection. The recent climate public investment

[6] For example, the measures would contribute to addressing the SB on enacting a single legislation for hydro-carbon related tax laws and call implicitly for the completion of the previously missed SB on the tax arrears inventory.

management assessment (C-PIMA) found major weaknesses in public investment management, especially project execution. Some key challenges include a lack of clear criteria for project selection and systematic accounting for project implementation procedures, a predominance of restricted calls for tenders, frequent cash rationing, and ineffective project monitoring. To begin addressing these challenges, staff recommended (i) formalizing a standard methodology for the preliminary assessment of projects, considering climate aspects, and including a risk analysis (SB for end-December 2023, Table 13b) and (ii) defining and publishing a list of selection criteria (in line with C-PIMA recommendations), integrating also climate dimensions (SB for end-September 2023, Table 13b).

Box 2. Social Expenditure in the 2023 Budget of the Republic of Congo

Authorities scaled up the budget for social expenditures. Overall social spending is budgeted for 2023 at CFAF 557 billion, or 6.5 percent of GDP, up from 5.5 percent initially budgeted for 2022. Hence, social spending plans grew at 12.7 percent much faster than total fiscal expenditures (-3.3 percent). Severe under-execution of the 2022 social spending budget—only 61 percent of the initial plans were executed—imply that the growth relative to the social spending executed in 2022 stood at 78 percent (Table 16). While the initial 2023 budget plans were consistent with the authorities' National Development Plan, heavily emphasizing spending dedicated to infrastructure improvements and promotion of agricultural activities, basic education and social protection expenditures see in the revised spending plans their weights in the overall envelope increase (Fig. B2, panel 1).

Budget reallocations to education and social protection dedicated more resources to mitigating undesired side effects of intensified fiscal consolidation. Relative to 2022 social expenditure budget plans, the spending budgeted for basic education increased by 41 percent in 2023, while planned social protection and employment expenditures grew by 30 percent. The increases are driven by higher expenditures earmarked for school buildings, school canteen programs, and the strengthening of education and research systems, as well as support programs for minorities, vulnerable people, and street children. Respective items grew between 20 and 132 percent, by a total of CFAF 93 billion, or more than the total increase in budgeted social spending (Fig. B2, panel 2). The shifts also reflect the areas where the execution of the 2022 social expenditure budget plans was missed by the widest margin.

Social investments into physical infrastructure were deprioritized, presumably to free resources for the targeted support of vulnerable groups in the short run. Social expenditures shifted away from epidemic prevention and the construction of medical centers, university or research facilities, and town sanitation, predominantly areas that saw in 2022 budget execution rates above the average. While matching the ECF program's call for social spending targeted at vulnerable households, such reprioritization could, if not prudently managed, impede over the medium term the growth potential of the economy, especially if investments in critical infrastructures would be delayed for an extended period.

The focus on vulnerable groups could be further strengthened by emphasizing accurate selection of target groups, economic incentives, and inclusion. Higher emergency cash transfer program pay-outs and an extension in the program's coverage aim at mitigating second-round effects from the deregulation of fuel prices as well as still elevated food prices, but the accuracy of the underlying social register remains untested, and more efforts are needed to strengthen the inclusion and/or improvement of economic chances for vulnerable groups. Similarly, the planned complete repayment of all remaining social sector arrears (especially pensions) will help lower total public debt but does not necessarily prioritize support to vulnerable households. Increases in education expenditures help improve targeting if centered on student groups and institutions that

Box 2. Social Expenditure in the 2023 Budget of the Republic of Congo (concluded)

provide a balance between economic growth potential and poverty. Further refinement of qualification criteria for cash transfer eligibility could improve the impact of targeted measures. The continuing expansion of the single social register and the filling of data gaps within the register provides support in this direction.

Social spending budgeted for 2022 was executed only partially. Budget execution discipline remained weak: in 2022 only 61 percent of the initially planned expenditures were executed, markedly less than for the entire budget. Asymmetric expenditure rationalization, as well as governance and administrative efficacy issues, could threaten the successful implementation of reforms targeted at inclusive growth and the effective reduction of poverty. In addition, social policies outside of the budget's social spending envelope may compete with the latter for scarce resources and decrease transparency.

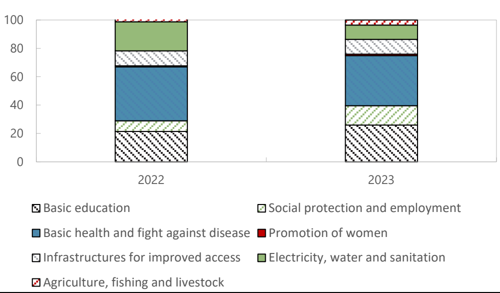
Social inclusion could benefit from fuel subsidy reductions. Expected future fiscal yields from continued reduction of fuel subsidies will partially be used to finance higher social transfers targeted at vulnerable population groups. Such direct reallocation is likely to promote social inclusion, in particular, if respective social transfers are allocated to purposes strengthening the economic capacity of vulnerable groups.

Box 2. Figure 1. Changes in Social Expenditures

Budgeted social spending shifted to basic education and social protection…

Composition of Budgeted Social Spending

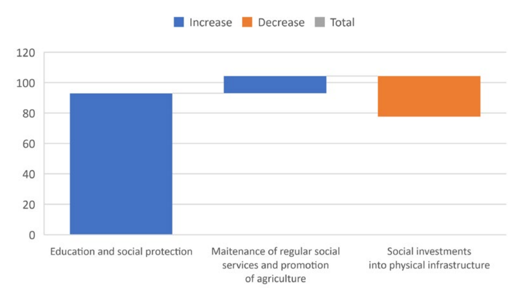
(Percent)



… while budgeted social investments into physical infrastructure decreased.

2023 Growth in Social Spending Budget Categories

(CFAF bn y/y)



C. Governance, Transparency, and Broader Structural Reforms

18. Momentum in governance and transparency reforms would clearly signal authorities' commitment to the program and remains critical for the program's success.

- The five remaining modules of the new financial management information system (SIGFIP) are expected to be fully operational by end-2024 (MEFP ¶27), with four out of five modules to be ready for use by end-June 2024 (SB, Table 13b). Without active engagement of the Treasury, however, implementation may stall, impeding further progress in the comprehensive monitoring of public revenue collection and spending.

- The convention between BEAC and the Treasury enabling automatic transfer of oil export revenues to the single treasury account (TSA) is expected to be finalized by mid-2023 (MEFP ¶26). In this context authorities agreed to regularly repatriate excess balances held at the government's escrow account in China,[7] and to deposit revenues generated from the removal of fuel subsidies in a TSA account. This implies the integration of the oil product stabilization fund in the reporting on the budget.[8] In addition, the TSA architecture would further benefit from closing remaining government accounts in commercial banks, interconnecting information systems (across customs, the tax authorities, and the Treasury), finalizing the law on the Court of Accounts and Budgetary discipline, and advancing towards a legal and regulatory framework for public private partnerships (MEFP ¶26).

- Seizing on the progress of the publication of the conflict-of-interest decree, authorities have established a legal framework aligning public officials' declaration of assets with international best practices, by requiring high-level officials to submit conflict-of-interest declarations, which will subsequently be published (SB end-April 2024, Table 13b). To ensure an effective anti-corruption framework, the conflict-of-interest system will be operationalized gradually (MEFP ¶30), and the anti-corruption and transparency commissions provided with sufficient resources to achieve their mandate (MEFP ¶29). This includes publication of their annual reports and operations as required by law. Authorities should also prioritize publication of information on corruption-related offenses and judgments, as well as publication of reports from oversight institutions, including the General Inspection of Finance (IGF), the National Accounts Commission (CNC), and the Court of Accounts. This will not only increase transparency, but also encourage a culture of accountability and public participation. Implementation of recommendations from the COVID-19 audit, including by publishing names and nationalities of beneficial owners of companies that were awarded contracts and by continuing ex-post contract delivery reports, would be equally important to improve efficiency and transparency in public financial management (PFM). Authorities committed to finalizing the stock-taking of progress against recommendations from the 2018 diagnostic report (supported by technical assistance from the Fund's Legal Department) with a view to developing an action plan for end-January 2024 (MEFP ¶31) that will identify areas for improvement, including measures to combat money laundering and the financing of terrorism (AML/CFT) building upon the recommendations from Congo's recently published Mutual Evaluation Report of the Action Group against Money Laundering in Central Africa (GABAC). This will provide guidance on next steps, including related technical assistance the IMF can provide.

- Recognizing the importance of transparency in natural resources governance, the authorities committed to establish (i) a fully EITI compliant mining cadaster; and (ii) an EITI compliant forestry cadaster by end-June 2024. They also committed to regularly publish the audits of the SNPC and CORAF (MEFP ¶22).

19. **Strengthening financial sector resilience and broadening access to finance should continue, which will support economic diversification and macroeconomic stability.** Authorities

[7] These amounts are not recorded as part of NFA.

[8] Congo's oil stabilization fund is a tool to compensate the losses of either the refinery or the approved importers of fuel products vs. the wholesale price (EDP) of fuel products. The fund, a dedicated account at the central bank, is financed through the taxes and fees levied within the distribution chain for fuel products.

have made significant progress in implementing the regional roadmap for financial inclusion's recommendations at the national level (MEFP ¶34). This includes strengthening the legal and judicial systems' ability to address financial litigation, and improving registration processes for real estate securities and for credit and microfinance companies. Financial stability continues to benefit from the reduction in non-performing loans as domestic arrears clearance advances. Authorities committed to further strengthen the legal system's capacity to resolve disputed claims, to engage in rigorous liquidity and solvency monitoring, and to continue with plans for the restructuring of weak banks.

PROGRAM MODALITIES AND OTHER ISSUES

20. The authorities request waivers of non-observance for the missed PCs based on corrective actions that support offsetting fiscal consolidation—including a prior action on fuel price adjustment, commitments to tighten the budget consistently with Table 2a, as well as a commitment to increase accumulation of deposits at BEAC during 2023–24, and the additional policies discussed in ¶12.

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. This support, combined with financing under the ECF arrangement, are critical for implementing reforms and building buffers, given large uncertainties surrounding oil windfalls and the global economic environment, and for efforts to ensure regional stability through accumulation of CEMAC's NFA.

22. Monitoring of program performance. Program performance will continue to be monitored through semi-annual program reviews based on performance criteria (PCs, Table 12), structural benchmarks (Tables 13a and 13b), and prior actions (PAs, Table 14). End-June 2023 PCs on the non-oil primary balance and net domestic financing have been adjusted based on latest macroeconomic projections. The authorities committed to measures, including PAs, supporting compensatory consolidation of the non-oil primary fiscal balance (¶12). Both PAs, in detail, the increases in fuel prices and the transparent management of additional fees collected due to this increase, are designed to support fiscal consolidation, to protect public resources and to improve transparency and governance.

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, 3.2 percent of GDP) in 2024. Debt service to the Fund peaks at 0.5 percent of GDP and 2.2 percent of revenues (excluding grants) in 2029 and 24.6 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 ¶8, is a substantial decline in oil prices that could trigger debt sustainability challenges. The most serious implementation risk is faltering commitment to fiscal and 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. The authorities' implementation capacity is good as demonstrated by fiscal discipline during the pandemic and implementation of structural reforms even when the previous ECF arrangement went off-track.

Text Table 3. Republic of Congo: Financing Needs and Sources, 2022–28
(Millions of U.S. dollars unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028
Financing Needs	**10524**	**8891**	**8862**	**8417**	**8240**	**8023**	**7938**
Current Account Deficit (excl. grants and oil exports)	6647	7054	7263	7264	7340	7211	7169
Amortization of PPG External Debt	1259	812	683	581	339	304	289
Other net financial flows	2430	555	525	307	224	78	-110
Net Change in Reserves, excluding SDR drawdown	188	469	391	265	337	429	589
Financing Sources	**10249**	**8518**	**8564**	**8417**	**8240**	**8023**	**7938**
Oil Exports	9313	7533	7462	7183	6965	6789	6652
Grants	42	75	44	64	71	80	89
Other Transfers	93	105	176	120	132	144	158
Project Loans (disbursement)	162	271	274	269	280	212	222
FDI	514	654	726	815	825	822	818
Use of SDR Allocation	221	0	0	0	0	0	0
Exceptional Financing	-96	-119	-119	-33	-33	-24	0
DSSI	-96	-119	-119	-33	-33	-24	
Financing Gap[1]	275	373	298	0	0	0	0
Budget Support[2]	102	199	211	0	0	0	0
IMF-ECF	173	174	87	0	0	0	0
Residual Gap	0	0	0	0	0	0	0
Memo items:							
IMF-ECF							
(in percent of total donor inflows)	29	29	17	…	…	…	…
(in percent of budget support and ECF financing)	63	47	29	…	…	…	…

Sources: BEAC; and IMF staff estimates and projections.

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

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

24. An update of the safeguards assessment of BEAC was completed in April 2022. Findings indicated that BEAC maintained strong governance arrangements and transitioned to international financial reporting standards (IFRS). Nonetheless, staff recommended that BEAC strengthen its internal audit and risk management functions, as well as its cyber resilience and business continuity framework. BEAC has already achieved progress, by reinforcing its capacity for internal audits, planning an external quality assessment, and working on the evaluation of its cyber resilience. Staff continues to engage with the authorities on additional recommendations.

25. Regional assurances. BEAC met its end-December 2022 NFA target with a comfortable margin and provided updated policy assurances in support of CEMAC countries' Fund-supported programs. The loosened fiscal position and substantial use of oil revenues to finance the budget and domestic arrears repayments rather than build buffers resulted in the Republic of Congo contributing CFAF 393 billion less to regional reserves than initially expected (relative to CR 23/89). In 2023, BEAC raised its main policy rate (TIAO) by 50 basis points to 5 percent in March 2023—a cumulative 175 basis points increase since November 2021, and tightened banks' refinancing conditions, including through discontinuing weekly liquidity injections in March 2023, and starting to focus on liquidity absorption operations right away. For the remainder of 2023, BEAC stands ready to tighten monetary policy further, should regional inflation rise further, or external reserves start to deviate from the targeted path. In combination with member countries' stricter adherence to fiscal adjustments path consistent with Fund-supported programs and surveillance advice, this should help support external reserves build-up and anchor inflation firmly. BEAC intends to start increases in the rate and volumes of its liquidity absorption with the goal of mopping up excess liquidity in the banking system and strengthening monetary policy transmission. BEAC is also expected to continue enforcing efficiently, transparently, and consistently the foreign exchange (FX) regulations, including the surrender and repatriation requirements of the FX regulations for the extractive sector. BEAC provided updated policy assurances on the NFA for end-June 2023 and end-December 2023. The related review of Common Policies in support of Member Countries' Reform Programs was discussed by the Executive Board on June 26, 2023. The policy assurances on regional NFA are critical for the success of Congo's Fund-supported program and will help bolster the region's external sustainability.

26. External Arrears. Congo further reduced its external arrears, clearing all external arrears to official creditors, with only one uncontested arrear claim to a commercial creditor remaining open:

- Remaining $30 million in arrears owed to India have been repaid fully. Arrears to Russia and Brazil had already earlier been resolved through mutual agreement in principle on how to handle repayment.
- The authorities remain engaged in good faith discussions with the last remaining commercial creditor to resolve respective arrears of $14 million. As prompt Fund financial support is considered essential for the successful implementation of Congo's program and Congo is pursuing appropriate policies, the Fund may provide financing to Congo notwithstanding its external arrears to commercial creditors.
- $2.5 million in new arrears were accumulated in March 2023, which were resolved by payment in May 2023.
- The authorities contest $259 million of arrears owed to a supplier as part of a broader litigation case[9]; and have requested HIPC treatment for another $92 million of pre-HIPC arrears.

[9] 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.

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	**2271**	**2311**	**2261**	**2170**	**2297**	**2337**	**2368**	**2407**	**2400**	**2363**	**2347**
Multilateral	1261	1702	2068	2169	2297	2337	2368	2407	2400	2363	2347
IMF	211	388	473	464	459	455	450	449	445	441	436
Non-IMF	1051	1314	1595	1705	1838	1882	1918	1958	1955	1922	1911
Private Collateralized Debt (Oil-prepurchased)	1009	609	193	1	0	0	0	0	0	0	0
Non-Senior Debt	**3768**	**3639**	**3327**	**3040**	**2792**	**2604**	**2535**	**2510**	**2460**	**2429**	**2399**
Official bilateral	2827	2725	2539	2366	2235	2164	2131	2121	2088	2057	2027
Paris Club	452	459	455	446	410	385	366	354	337	321	303
Brazil	91	86	78	71	68	64	60	57	50	45	40
Belgium	128	106	81	64	48	34	26	22	22	22	22
France	199	244	281	302	294	287	279	274	264	253	240
Russia	31	24	15	8	0	0	0	0	0	0	0
Switzerland	3	0	0	0	0	0	0	0	0	0	0
Non-Paris Club	2376	2267	2084	1920	1824	1778	1766	1767	1751	1736	1724
China	1973	1892	1745	1609	1535	1507	1501	1507	1496	1483	1473
India	84	67	48	30	19	12	7	3	0	0	0
Kuwait	54	55	55	55	54	51	49	47	45	43	40
Turkey	58	43	27	18	9	0	0	0	0	0	0
Others	89	90	89	89	89	89	89	90	90	90	90
Pre-HIPC arrears (not restructured)	118	120	119	119	119	119	119	120	120	120	120
Private Creditors	**941**	**914**	**788**	**675**	**557**	**440**	**404**	**389**	**372**	**372**	**372**
Chinese companies	298	328	243	162	81	0	0	0	0	0	0
London Club (eurobond)	226	203	175	143	107	71	35	17	0	0	0
Afreximbank	52	11	0	0	0	0	0	0	0	0	0
Suppliers	364	371	369	369	369	369	368	372	372	372	372
Total	**6039**	**5950**	**5588**	**5211**	**5089**	**4941**	**4903**	**4917**	**4859**	**4792**	**4745**
o/w Multilateral	1261	1702	2068	2169	2297	2337	2368	2407	2400	2363	2347
o/w Official Bilateral	2827	2725	2539	2366	2235	2164	2131	2121	2088	2057	2027
o/w Private	1950	1522	981	676	557	440	404	389	372	372	372
Shares											
IMF (in percent of Multilateral)	16.7	22.8	22.9	21.4	20.0	19.5	19.0	18.7	18.5	18.6	18.6
IMF (in percent Total)	3.5	6.5	8.5	8.9	9.0	9.2	9.2	9.1	9.2	9.2	9.2
Multilateral (in percent Total)	20.9	28.6	37.0	41.6	45.1	47.3	48.3	49.0	49.4	49.3	49.5
Official (in percent Total)	46.8	45.8	45.4	45.4	43.9	43.8	43.5	43.1	43.0	42.9	42.7
Private (in percent Total)	15.6	15.4	14.1	12.9	11.0	8.9	8.2	7.9	7.7	7.8	7.8

Sources: Authorities; and IMF staff estimates.

27. **Financing assurances reviews will continue to be conducted at each review of the ECF-supported program until external sovereign and commercial arrears are cleared.** The LIA policy is met with respect to external arrears, adequate safeguards remain in place for the further use of the Fund's resources, and adjustment efforts are not undermined by developments in creditor-debtor relations.

28. **Statistical issues and capacity development (CD).** Data provision is broadly adequate for program monitoring. Aligned with program objectives, CD prioritizes tax policy and administration, PFM reforms, debt management, statistics—where shortcomings in national accounts, monetary, fiscal, external sector, debt, and high-frequency statistics need to be addressed—and the anti-corruption framework and its operationalization. Congo is a medium-intensity user of Fund TA with a mixed implementation record.

STAFF APPRAISAL

29. Economic policies should continue to prepare the ground for an improving economic outlook and promote diversification. Over the last two years, Congo resumed to grow, and fundamentals suggest additional growth momentum ahead. Growing investments spur positive trends in agriculture, construction, mining, and services, and oil production is recovering. Improved governance and business environment would help scale up public infrastructure, healthcare, education, and social assistance spending and enable private investment in agriculture and other non-oil sectors, thereby supporting economic diversification as envisaged in Congo's national development plan. Progress in reducing debt vulnerabilities would further encourage already growing foreign investment and thus notch up private sector growth.

30. In the face of high debt, Congo needs to strike a balance between the necessary fiscal consolidation and policies supporting adequate economic growth and poverty reduction. New fuel subsidies, national security issues, and natural disasters widened the non-oil primary fiscal deficit in 2022 by an additional 0.8 percent of non-oil GDP relative to CR 23/89.[10] The 2022 fiscal slippage and the projected 2023 oil revenues below initial expectations both need to be partially offset in 2023, to return to a sustainable debt reduction path. The gradual removal of fuel price subsidies —with a fiscal yield of 4.2 percent of non-oil GDP over 2023–25 (Table 15)—is key for regaining fiscal control and creating fiscal space for social spending. Carefully costed targeted social assistance, as partially employed in the reallocation of funds freed by lowering oil transfers to social transfers, can protect vulnerable households. More comprehensive taxation of SOEs (especially in the oil sector), broadening of the tax and customs base, steady recovery of tax arrears, and regular dividend distribution by SOEs would help preserve an adequate level of rationalized development spending, including public investments and social safety expenses.

31. The fiscal strategy outlined above should be supported by stronger momentum in reforms covering public investment, debt, and broader public financial management as well as governance. Recent newly recognized domestic arrears (4.2 percent of GDP) and temporarily newly accumulated external arrears highlight the urgency of avoiding further arrears, improving debt statistics, making debt operations more transparent and traceable, keeping borrowing costs low, and maintaining maturities at appropriate levels. Progress in reforms on project planning, procurement procedures, and PFM, including on cash management and TSA reforms, is essential to warrant the efficient use of public resources, promote transparent budget execution, and achieve a comprehensive monitoring of public revenue collection and spending. Key areas to improve include costs-benefit-based project prioritization, also considering climate aspects, the transition to program budgeting, information sharing and coordination across all relevant institutions, and the extension of SIGFIP beyond already integrated components to achieve interconnectivity with custom administration and tax collection systems.

[10] The additional widening of the deficit relative to CR 23/89 is computed based on the revised GDP for 2022, in order to be able to compare to the latest preliminary values for the year 2022.

32. As progress on the governance and anti-corruption agenda advances, efforts to implement an effective anti-corruption framework should be kept up. Progress has been made in establishing a legal framework aligned with international standards. The adoption of a national strategy on anti-corruption is a welcome step. Remaining gaps in the asset declaration system should be addressed through harmonization with the recently established conflict-of-interest system and international good practices. It would be equally important to ensure the conflict-of-interest system is operationalized promptly. In the same vein, providing the anti-corruption and transparency commissions with sufficient resources to achieve their missions is critical, including to ensure public access to information relating to their operations, as required by law. The development of the action plan for further reforms based on progress against recommendations from the 2018 diagnostic report will help prioritize next steps, including the type of technical support needed. Demonstrating actions in the near term would help reaffirm authorities' commitment to the agenda.

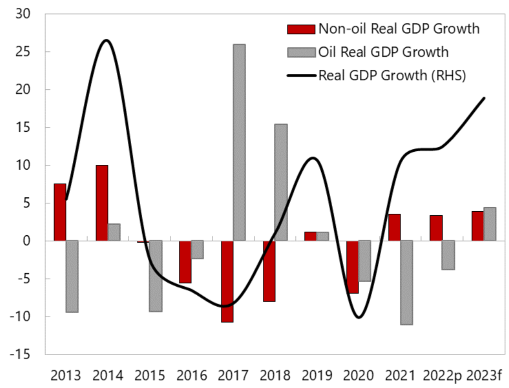
33. Authorities' commitment remains strong despite the weak program performance observed over the past 6 months. Three of the program's performance criteria and two of its indicative targets were missed, some by a wide margin (¶9). Several structural benchmarks were not met. Weak program performance has added to doubts about authorities' commitment to fiscal consolidation that initially arose during the second review. Corrective measures, including strong prior actions (Table 14), have however been taken to address all breaches and reflect the authorities' renewed commitment to the ECF program and its conditionality. Especially, the authorities' agreement to immediate additional fiscal correction efforts, to fuel subsidy reforms accompanied by renewed focus on targeted social transfers, and to additional efforts in tax collection helps assuage remaining concerns over a potentially weak program ownership. The program's conditionality, current momentum in the authorities' commitment, and adequate policy capacity should support a satisfactory program implementation.

34. Considering the strength of the authorities' corrective actions, the implementation of the end-December 2022 regional policy assurance and regional policy assurances established in the December 2022 union-wide paper, staff supports the completion of the third review under the ECF arrangement, the request for waivers for the end-December 2022 PCs on the non-oil primary balance and net domestic financing and for the continuous PC on the non-accumulation of new external arrears, and the request for modification of the end-June 2023 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 fourth review under the ECF arrangement be conditional on the implementation of critical policy assurances at the union level established in the June 2023 union-wide background paper.

Figure 1. Republic of Congo: Recent Economic Developments, 2013–23

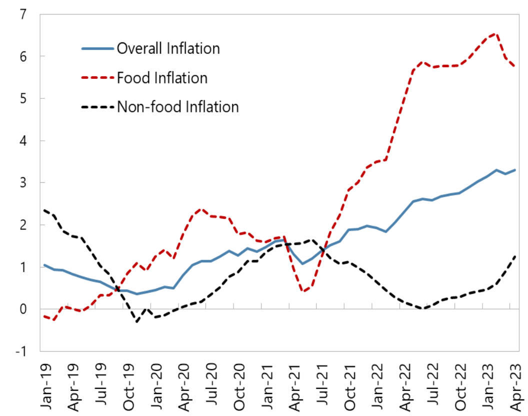
Real GDP growth is recovering with modestly improved oil production and stable non-oil growth.

Real GDP Growth (Percent)



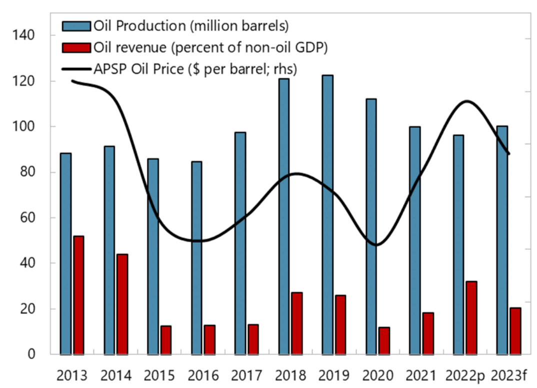
Inflation has been driven by food prices, while non-food inflation remains moderate.

Inflation (Average y/y; % Change)



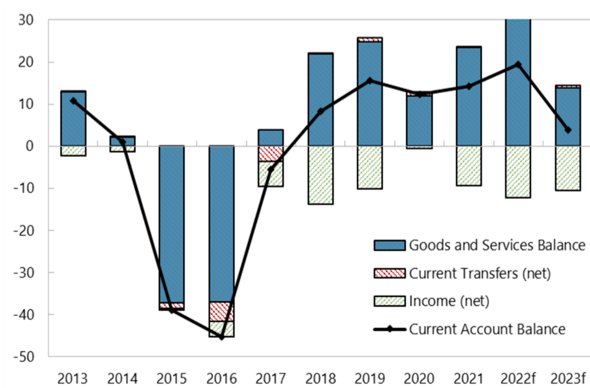
Lower oil prices lead to a decrease of oil revenues…

Oil



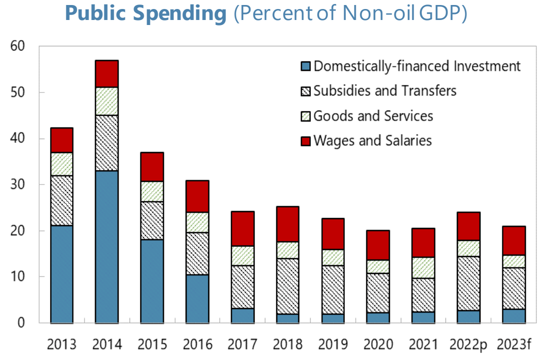
…and reduce the current account surplus.

Balance of Payments (Percent of GDP)



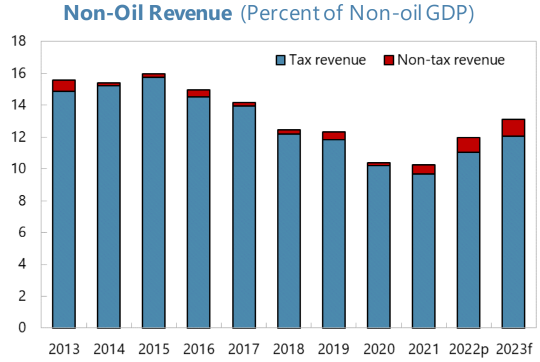
Corrective measures help to reduce fuel subsidies and hence public spending…

Public Spending (Percent of Non-oil GDP)



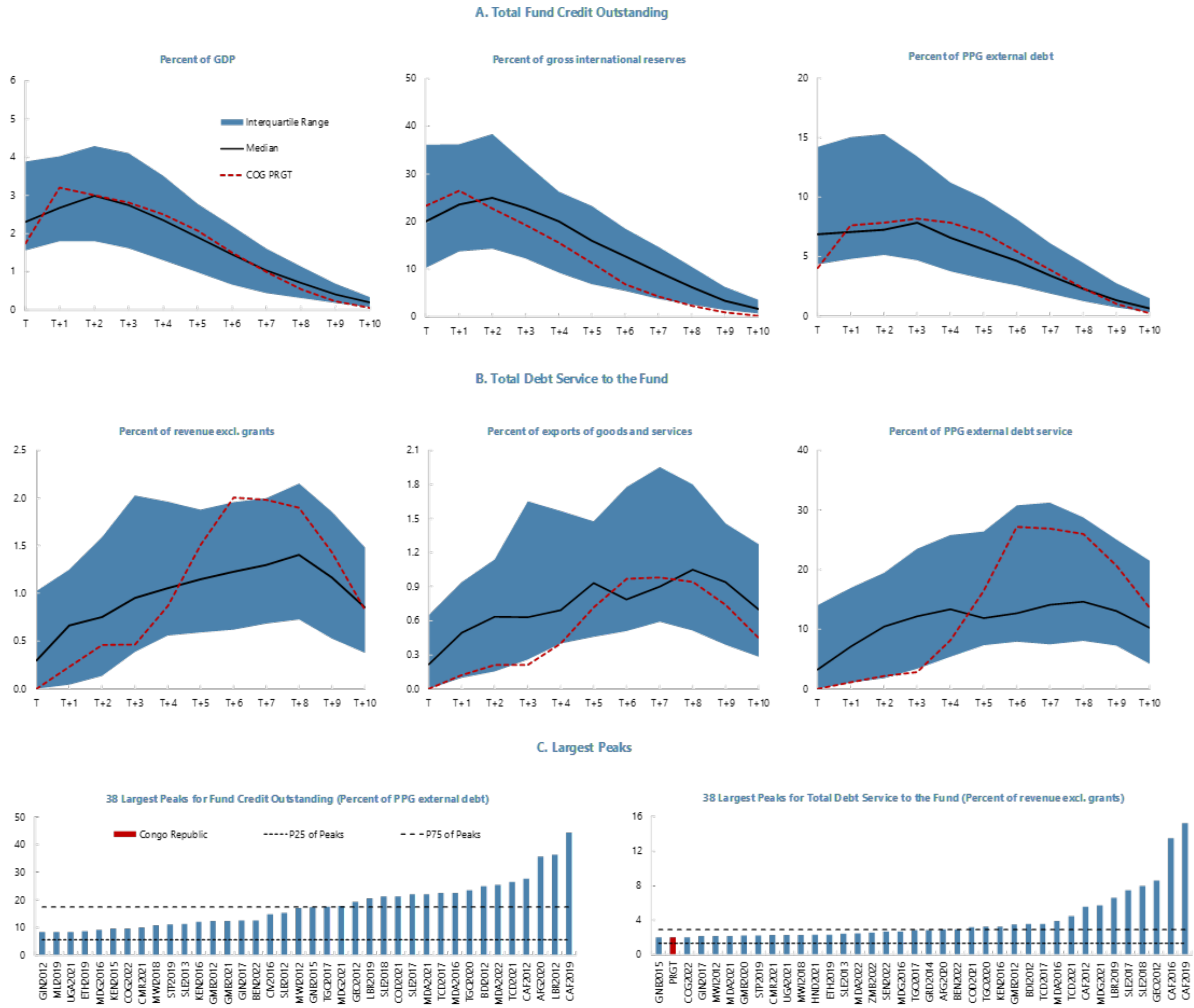
… while non-oil revenues are improving with continued reforms in tax policy and administration.

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] T = date of arrangement approval. PPG = public and publicly guaranteed.

[2] Red lines/bars indicate the CtR indicator for the arrangement of interest.

[3] The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2010 and 2020.

[4] PRGT countries in the control group with multiple arrangements are entered as separate events in the database.

[5] Gross international reserves refer to the gross imputed reserves for Congo Republic.

[6] For Congo Republic, revenue refers to non-oil revenue.

Table 1. Republic of Congo: Selected Economic and Financial Indicators, 2022–28[1]

	2022	2022	2023	2023	2024	2025	2026	2027	2028
	CR 23/89	Prel.	CR 23/89			Proj.			
	(Annual percentage change unless otherwise indicated)								
Production and prices									
GDP at constant prices	2.8	1.7	4.1	4.0	4.4	3.3	3.8	3.9	4.0
Oil	0.5	-3.8	4.4	4.4	6.5	-0.3	-0.2	0.0	-0.1
Non-oil	3.3	3.3	4.0	3.9	3.8	4.3	4.8	4.8	4.8
GDP at current prices	16.4	17.1	4.1	-0.7	5.5	4.9	5.7	6.0	6.2
GDP deflator	13.2	15.1	0.0	-4.5	1.0	1.6	1.8	2.0	2.2
Non-oil	3.6	3.1	3.3	3.5	3.2	3.0	3.0	3.0	3.0
Consumer prices (period average)	3.5	3.0	3.3	3.5	3.2	3.0	3.0	3.0	3.0
Consumer prices (end of period)	3.5	3.2	3.3	3.5	3.2	3.0	3.0	3.0	3.0
External sector									
Exports, f.o.b.	44.6	49.4	-4.7	-19.5	0.2	-1.0	-1.7	-0.1	0.5
Imports, f.o.b.	37.8	45.7	15.4	2.1	3.3	4.4	6.1	2.4	3.5
Export volume	1.7	2.5	2.5	-2.8	4.6	7.3	1.7	6.5	3.8
Import volume	5.8	10.2	12.9	13.7	5.1	4.3	3.1	2.2	1.6
Terms of trade (deterioration -)	11.9	13.7	-9.2	-7.0	-2.4	-7.8	-6.3	-6.4	-5.1
Current account balance (percent of GDP)	21.6	19.4	8.5	3.9	1.6	-0.1	-1.8	-1.9	-2.3
BEAC's net foreign assets	97.1	-46.9	48.8	123.5	57.3	32.8	30.7	29.8	33.2
External public debt (percent of GDP)	46.9	43.1	41.7	41.6	38.0	34.0	31.6	29.2	27.1
Monetary sector									
Broad money	9.3	4.6	15.7	10.4	12.7	7.7	12.0	10.3	8.0
Credit to the private sector	3.5	5.1	3.8	5.4	6.0	5.7	6.2	6.5	6.5
	(Percent of GDP)								
Investment and saving									
Gross national saving	48.4	45.8	36.4	32.7	30.3	28.3	26.2	24.9	23.9
Gross investment	26.8	26.4	27.9	28.8	28.6	28.4	28.1	26.8	26.2
	(Percent of non-oil GDP, unless otherwise indicated)								
Central government finances									
Total revenue	42.2	44.9	40.2	34.6	33.3	31.7	30.4	29.6	28.5
Oil revenue	28.4	32.1	25.0	20.4	19.0	17.0	15.3	14.2	12.9
Nonoil revenue (including grants)	13.9	12.8	15.2	14.2	14.4	14.7	15.1	15.3	15.6
Total expenditure	33.0	32.3	32.0	29.4	27.2	27.4	27.2	25.6	24.0
Current	26.8	27.1	24.4	22.8	21.0	21.0	20.4	19.6	18.5
Capital	6.3	5.1	7.6	6.6	6.2	6.4	6.7	5.9	5.5
Overall balance (deficit -, payment order basis)	9.2	12.6	8.2	5.2	6.1	4.3	3.2	4.0	4.5
Overall balance (deficit -, payment order basis, percent of GDP)	6.9	8.9	6.3	4.0	4.7	3.4	2.6	3.3	3.8
Non-oil primary balance (- = deficit)	-15.7	-15.7	-13.3	-11.8	-9.4	-9.4	-8.6	-7.1	-5.5
Basic primary fiscal balance (- = deficit)[1]	12.7	16.4	11.6	8.6	9.6	7.7	6.7	7.2	7.4
Basic non-oil primary balance (- = deficit)[2]	-13.0	-14.0	-10.3	-9.3	-7.0	-7.2	-6.5	-5.6	-4.1
Reference fiscal balance (percent of GDP)[3]	-4.0	-4.5	-1.9	-0.3	2.8	2.9	0.7	1.2	1.9
Primary balance (percent of GDP)	9.5	11.6	9.0	6.6	7.4	6.1	5.4	5.9	6.2
Financing gap (in percent of GDP)	2.0	2.0	2.8	2.6	2.0	0.0	0.0	0.0	0.0
Total public debt (percent of GDP)	99.1	92.5	92.8	98.0	91.6	87.8	83.4	78.5	72.3
	(Percent of total government revenue excluding grants)								
External public debt service	37.8	34.1	29.0	29.1	24.2	18.5	11.5	9.8	8.4
	(Billions of CFA francs, unless otherwise indicated)								
Nominal GDP	7,825	8,690	8,144	8,632	9,104	9,551	10,094	10,697	11,364
Nominal oil GDP	1,990	2,536	1,877	2,016	2,018	1,939	1,878	1,828	1,791
Nominal non-oil GDP	5,834	6,153	6,266	6,616	7,087	7,612	8,216	8,868	9,574
Nominal GDP in US$ (millions)	12,608	13,961	12,725	14,243	14,949	15,686	16,599	17,611	18,721
Congolese oil price (U.S. dollars per barrel)	96	99	84	77	72	70	68	66	65
Brent Price (U.S dollars per barrel)	101	99	89	78	74	71	69	67	66
Oil production (Millions of barrels)	100	96	105	100	107	107	106	106	106
Nominal Exchange rate (CFA/USD, period average)	...	622	...	...	...	...	...	...	...
REER (percentage change)	...	-9.1	...	...	...	...	...	...	...

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.

Table 2a. Republic of Congo: Central Government Operations, 2022–28[1]

(Billions of CFA francs)

	2022	2022	2023	2023	2023	2024	2025	2026	2027	2028
	CR 23/89	Prel.	Budget Law	CR 23/89			Proj.			
Total Revenue and Grants	2,465	2,763	2,520	2,518	2,292	2,362	2,412	2,498	2,623	2,732
Revenue	2,418	2,709	2,446	2,445	2,218	2,303	2,339	2,418	2,535	2,637
Oil revenue	1,656	1,973	1,562	1,564	1,349	1,344	1,295	1,254	1,262	1,237
of which: oil transfers	251	311	125	125	154	50	63	50	50	50
Non-oil revenue	762	736	884	881	868	959	1,044	1,163	1,273	1,399
Direct taxes	290	292	342	318	321	350	384	424	468	516
Taxes on goods and services	292	250	294	350	311	349	397	436	480	528
Customs Receipts	129	139	166	166	166	178	195	232	251	286
Non-tax revenue	50	56	82	48	71	82	69	71	75	70
Grants	47	54	74	74	74	59	73	80	88	96
Expenditure	1,927	1,985	2,028	2,006	1,945	1,929	2,085	2,232	2,267	2,300
Current expenditure	1,562	1,669	1,552	1,531	1,509	1,491	1,597	1,678	1,740	1,772
Wages	379	379	406	406	406	435	468	505	545	588
Other primary current expenditure	936	1,032	865	865	850	782	845	864	897	891
Goods and services	190	217	208	208	190	186	215	222	238	257
Transfers	683	721	594	594	590	523	552	562	587	562
Social Transfers (Lisungi, COVID-19 and others)	127	143	179	162	180	190	204	220	237	256
Oil-related transfers	251	311	125	125	154	50	63	50	50	50
Other transfers	305	266		307	256	283	285	292	299	256
Common charges	63	94	63	63	70	75	77	79	72	72
Annex budgets and special accounts[1]	42	27	57	42	27	28	29	29	18	16
Interest	205	230	224	217	224	246	256	281	280	277
Domestic	95	115		135	143	176	197	229	231	232
External	110	116		82	82	69	58	51	49	45
of which: COVID-19 Moratorium Loan (interest)	4	4		3	3	2	1	1	0	0
of which: on oil-prepurchased debt	30	30		18	20	11	4	0	0	0
Capital expenditure	365	316	476	475	436	439	488	554	527	527
Domestically financed	161	162	215	215	198	213	251	304	310	297
Externally financed	204	155	261	260	238	225	237	250	217	230
Non-oil primary balance[2]	-914	-965	-847	-834	-778	-667	-712	-708	-626	-528
Basic non-oil primary balance[3]	-756	-864	-660	-648	-614	-500	-548	-538	-497	-393
— excluding oil-related transfers[4]	-506	-553	-535	-523	-459	-449	-485	-488	-447	-343
Primary balance	742	1,008	716	730	571	678	583	546	636	709
Overall balance, payment order basis										
Excluding grants	490	724	418	439	273	374	254	186	268	337
Including grants	537	778	492	513	347	432	327	266	356	433
Overall balance, cash basis	537	778	492	513	347	432	327	266	356	433
Financing	-696	-949	-746	-738	-573	-614	-327	-266	-356	-433
Foreign (net, excluding budgetary support)	-639	-966	-440	-441	-400	-322	-210	-56	-71	-41
Drawings	157	101	187	186	164	167	164	170	129	135
Amortization (paid)	-802	-843	-627	-627	-564	-489	-374	-226	-200	-176
of which: on oil-prepurchased debt	-362	-374	-278	-330	-282	-225	-117	-1	0	0
Others	0	-223	0	0	0	0	0	0	0	0
Domestic (net, excluding IMF-ECF)	-57	17	-306	-297	-173	-292	-117	-210	-285	-392
Banking system (net)	288	334	-98	-98	-72	-203	-41	75	-20	-179
Central bank	82	89	-392	-392	-412	-378	-389	-322	-340	-285
Commercial banks[5]	206	245	294	294	340	174	348	397	320	105
Nonbank financing[5]	-346	-317	-208	-200	-101	-89	-76	-285	-265	-212
Of which: Repayment of domestic arrears	-365	-431	-200	-200	-110	-208	-155	-184	-158	-157
Financing gap (- = surplus)	159	171	226	226	226	182	0	0	0	0
Expected financing (excluding IMF)	51	63	115	115	120	129	0	0	0	0
IMF-ECF	108	108	110	110	105	53	0	0	0	0
Residual financing gap	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Stock of domestic arrears[6]	1,516	1,450	1,677	1,292	1,677	1,397	1,235	1,037	878	615
Stock of government deposits	365	238	650	867	650	1,028	1,402	1,710	2,035	2,304
CEMAC Reference fiscal balance[7]	-314	-391	-23	-156	-23	254	277	75	132	212
GDP at current market prices	7,825	8,690	8,632	8,144	8,632	9,104	9,551	10,094	10,697	11,364
Non-oil GDP at market prices	5,834	6,153	6,616	6,266	6,616	7,087	7,612	8,216	8,868	9,574

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, 2022–28[1]

(Percent of non-oil GDP)

	2022	2022	2023	2023	2023	2023	2024	2025	2026	2027	2028
	CR 23/89	Prel.	Budget Law	CR 23/89	CR 23/89 (new GDP)			Proj.			
Total Revenue and Grants	42.2	44.9	38.1	40.2	38.1	34.6	33.3	31.7	30.4	29.6	28.5
Revenue	41.4	44.0	37.0	39.0	37.0	33.5	32.5	30.7	29.4	28.6	27.5
Oil revenue	28.4	32.1	23.6	25.0	23.6	20.4	19.0	17.0	15.3	14.2	12.9
of which: oil transfers	4.3	5.1	1.9	2.0	1.9	2.3	0.7	0.8	0.6	*0.6*	*0.5*
Non-oil revenue	13.1	12.0	13.4	14.1	13.3	13.1	13.5	13.7	14.2	14.4	14.6
Direct taxes	5.0	4.7	5.2	5.1	4.8	4.8	4.9	5.0	5.2	5.3	5.4
Taxes on goods and services	5.0	4.1	4.4	5.6	5.3	4.7	4.9	5.2	5.3	5.4	5.5
Customs receipts	2.2	2.3	2.5	2.6	2.5	2.5	2.5	2.6	2.8	2.8	3.0
Non-tax revenue	0.9	0.9	1.2	0.8	0.7	1.1	1.2	0.9	0.9	0.8	0.7
Grants	0.8	0.9	1.1	1.2	1.1	1.1	0.8	1.0	1.0	1.0	1.0
Expenditure	33.0	32.3	30.7	32.0	30.3	29.4	27.2	27.4	27.2	25.6	24.0
Current expenditure	26.8	27.1	23.5	24.4	23.1	22.8	21.0	21.0	20.4	19.6	18.5
Wages	6.5	6.2	6.1	6.5	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Other primary current expenditure	16.0	16.8	13.1	13.8	13.1	12.9	11.0	11.1	10.5	10.1	9.3
Goods and services	3.3	3.5	3.1	3.3	3.1	2.9	2.6	2.8	2.7	2.7	2.7
Transfers	11.7	11.7	9.0	9.5	9.0	8.9	7.4	7.3	6.8	6.6	5.9
Social Transfers (Lisungi, COVID-19 and others)	2.2	2.3	2.7	2.6	2.4	2.7	2.7	2.7	2.7	2.7	2.7
Oil-related transfers	4.3	5.1	1.9	2.0	1.9	2.3	0.7	0.8	0.6	0.6	0.5
Other transfers	5.2	4.3	0.0	4.9	4.6	3.9	4.0	3.7	3.6	3.4	2.7
Common charges	1.1	1.5	1.0	1.0	1.0	1.1	1.1	1.0	1.0	0.8	0.7
Annex budgets and special accounts[1]	0.7	0.4	0.9	0.7	0.6	0.4	0.4	0.4	0.3	0.2	0.2
Interest	3.5	3.7	3.4	3.5	3.3	3.4	3.5	3.4	3.4	3.2	2.9
Domestic	1.6	1.9	0.0	2.2	2.0	2.2	2.5	2.6	2.8	2.6	2.4
External	1.9	1.9	0.0	1.3	1.2	1.2	1.0	0.8	0.6	0.6	0.5
of which: COVID-19 Moratorium Loan (interest)	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	
of which: on oil-prepurchased debt	0.5	0.5	0.0	0.3	0.3	0.3	0.2	0.1	0.0	0.0	0.0
Capital expenditure	6.3	5.1	7.2	7.6	7.2	6.6	6.2	6.4	6.7	5.9	5.5
Domestically financed	2.8	2.6	3.2	3.4	3.2	3.0	3.0	3.3	3.7	3.5	3.1
Externally financed	3.5	2.5	3.9	4.1	3.9	3.6	3.2	3.1	3.0	2.4	2.4
Non-oil primary balance[2]	-15.7	-15.7	-12.8	-13.3	-12.6	-11.8	-9.4	-9.4	-8.6	-7.1	-5.5
Basic non-oil primary balance[3]	-13.0	-14.0	-10.0	-10.3	-9.8	-9.3	-7.0	-7.2	-6.5	-5.6	-4.1
— excluding oil-related transfers[4]	-8.7	-9.0	-8.1	-8.4	-7.9	-6.9	-6.3	-6.4	-5.9	-5.0	-3.6
Primary balance	12.7	16.4	10.8	11.6	11.0	8.6	9.6	7.7	6.7	7.2	7.4
Overall balance, payment order basis											
Excluding grants	8.4	11.8	6.3	7.0	6.6	4.1	5.3	3.3	2.3	3.0	3.5
Including grants	9.2	12.6	7.4	8.2	7.7	5.2	6.1	4.3	3.2	4.0	4.5
Overall balance, cash basis	9.2	12.6	7.4	8.2	7.7	5.2	6.1	4.3	3.2	4.0	4.5
Financing	-11.9	-15.4	-11.3	-11.8	-11.2	-8.7	-8.7	-4.3	-3.2	-4.0	-4.5
Foreign (net, excluding budgetary support)	-11.0	-15.7	-6.7	-7.0	-6.7	-6.0	-4.5	-2.8	-0.7	-0.8	-0.4
Drawings	2.7	1.6	2.8	3.0	2.8	2.5	2.4	2.2	2.1	1.5	1.4
Amortization (paid)	-13.8	-13.7	-9.5	-10.0	-9.5	-8.5	-6.9	-4.9	-2.8	-2.2	-1.8
of which: on oil-prepurchased debt	-6.2	-6.1	-4.2	-5.3	-5.0	-4.3	-3.2	-1.5	0.0	0.0	--
Others	0.0	-3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net, excluding IMF-ECF)	-1.0	0.3	-4.6	-4.7	-4.5	-2.6	-4.1	-1.5	-2.6	-3.2	-4.1
Banking system (net)	4.9	5.4	-1.5	-1.6	-1.5	-1.1	-2.9	-0.5	0.9	-0.2	-1.9
Central bank	1.4	1.5	-5.9	-6.3	-5.9	-6.2	-5.3	-5.1	-3.9	-3.8	-3.0
of which Use of SDR Allocations	2.1	2.1	0.0	...	...	...	...	...	...	...	...
Commercial banks[5]	3.5	4.0	4.4	4.7	4.4	5.1	2.5	4.6	4.8	3.6	1.1
Nonbank financing[5]	-5.9	-5.2	-3.1	-3.2	-3.0	-1.5	-1.3	-1.0	-3.5	-3.0	-2.2
Of which: Repayment of domestic arrears	-6.3	-7.0	-3.0	-3.2	-3.0	-1.7	-2.9	-2.0	-2.2	-1.8	-1.6
Financing gap (- = surplus)	2.7	2.8	3.4	3.6	3.4	3.4	2.6	0.0	0.0	0.0	--
Expected financing (excluding IMF)	0.9	1.0	1.7	1.8	1.7	1.8	1.8	0.0	0.0	0.0	0.0
IMF-ECF	1.9	1.8	1.7	1.8	1.7	1.6	0.7	0.0	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	0.0
Memorandum items:											
Stock of domestic arrears[6]	26.0	23.6	25.3	20.6	19.5	25.3	19.7	16.2	12.6	9.9	6.4
Stock of government deposits	6.3	3.9	9.8	13.8	13.1	9.8	14.5	18.4	20.8	22.9	24.1
CEMAC Reference fiscal balance[7]	-5.4	-6.3	0.0	-2.5	-2.4	-0.3	3.6	3.6	0.9	1.5	2.2
GDP at current market prices (CFAF billion)	7,825	8,690	8,632	8,144	8,632	8,632	9,104	9,551	10,094	10,696.6	11,364.4
Non-oil GDP at market prices (CFAF billion)	5,834	6,153	6,616	6,266	6,616	6,616	7,087	7,612	8,216	8,868	9,574

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, 2022–28[1]

(Percent of GDP)

	2022	2022	2023	2023	2023	2023	2024	2025	2026	2027	2028
	CR 23/89	Prel.	Budget Law	CR 23/89	CR 23/89 (new GDP)			Proj.			
Total Revenue and Grants	31.5	31.8	29.2	30.9	29.2	26.6	25.9	25.3	24.7	24.5	24.0
Revenue	30.9	31.2	28.3	30.0	28.3	25.7	25.3	24.5	24.0	23.7	23.2
Oil revenue	21.2	22.7	18.1	19.2	18.1	15.6	14.8	13.6	12.4	11.8	10.9
Non-oil revenue	9.7	8.5	10.2	10.8	10.2	10.1	10.5	10.9	11.5	11.9	12.3
Direct taxes	3.7	3.4	4.0	3.9	3.7	3.7	3.8	4.0	4.2	4.4	4.5
Taxes on goods and services	3.7	2.9	3.4	4.3	4.0	3.6	3.8	4.2	4.3	4.5	4.6
Customs Receipts	1.6	1.6	1.9	2.0	1.9	1.9	2.0	2.0	2.3	2.3	2.5
Non-tax revenue	0.6	0.6	1.0	0.6	0.6	0.8	0.9	0.7	0.7	0.7	0.6
Grants	0.6	0.6	0.9	0.9	0.9	0.9	0.6	0.8	0.8	0.8	0.8
Expenditure	24.6	22.8	23.5	24.6	23.2	22.5	21.2	21.8	22.1	21.2	20.2
Current expenditure	20.0	19.2	18.0	18.8	17.7	17.5	16.4	16.7	16.6	16.3	15.6
Wages	4.8	4.4	4.7	5.0	4.7	4.7	4.8	4.9	5.0	5.1	5.2
Other primary current expenditure	12.0	11.9	10.0	10.6	10.0	9.9	8.6	8.8	8.6	8.4	7.8
Goods and services	2.4	2.5	2.4	2.6	2.4	2.2	2.0	2.3	2.2	2.2	2.3
Transfers	8.7	8.3	6.9	7.3	6.9	6.8	5.7	5.8	5.6	5.5	4.9
Social Transfers (Lisungi, COVID-19 and others)	1.6	1.6	2.1	2.0	1.9	2.1	2.1	2.1	2.2	2.2	2.3
Oil-related transfers	3.2	3.6	1.4	1.5	1.4	1.8	0.6	0.7	0.5	0.5	0.4
Other transfers	3.9	3.1	0.0	3.8	3.6	3.0	3.1	3.0	2.9	2.8	2.3
Common charges	0.8	1.1	0.7	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.6
Annex budgets and special accounts[1]	0.5	0.3	0.7	0.5	0.5	0.3	0.3	0.3	0.3	0.2	0.1
Interest	2.6	2.7	2.6	2.7	2.5	2.6	2.7	2.7	2.8	2.6	2.4
Domestic	1.2	1.3	0.0	1.7	1.6	1.7	1.9	2.1	2.3	2.2	2.0
External	1.4	1.3	0.0	1.0	1.0	0.9	0.8	0.6	0.5	0.5	0.4
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	0.0
of which: on oil-prepurchased debt	0.4	0.3	0.0	0.2	0.2	0.2	0.1	0.0	0.0	0.0	0.0
Capital expenditure	4.7	3.6	5.5	5.8	5.5	5.1	4.8	5.1	5.5	4.9	4.6
Domestically financed	2.1	1.9	2.5	2.6	2.5	2.3	2.3	2.6	3.0	2.9	2.6
Externally financed	2.6	1.8	3.0	3.2	3.0	2.8	2.5	2.5	2.5	2.0	2.0
Non-oil primary balance[2]	-11.7	-11.1	-9.8	-10.2	-9.7	-9.0	-7.3	-7.5	-7.0	-5.9	-4.6
Basic non-oil primary balance[3]	-9.7	-9.9	-7.6	-8.0	-7.5	-7.1	-5.5	-5.7	-5.3	-4.6	-3.5
— excluding oil-related transfers[4]	-6.5	-6.4	-6.2	-6.4	-6.1	-5.3	-4.9	-5.1	-4.8	-4.2	-3.0
Primary balance	9.5	11.6	8.3	9.0	8.5	6.6	7.4	6.1	5.4	5.9	6.2
Overall balance, payment order basis											
Excluding grants	6.3	8.3	4.8	5.4	5.1	3.2	4.1	2.7	1.8	2.5	3.0
Including grants	6.9	8.9	5.7	6.3	5.9	4.0	4.7	3.4	2.6	3.3	3.8
Overall balance, cash basis	6.9	8.9	5.7	6.3	5.9	4.0	4.7	3.4	2.6	3.3	3.8
Financing	-8.9	-10.9	-8.6	-9.1	-8.6	-6.6	-6.7	-3.4	-2.6	-3.3	-3.8
Foreign (net, excluding budgetary support)	-8.2	-11.1	-5.1	-5.4	-5.1	-4.6	-3.5	-2.2	-0.6	-0.7	-0.4
Drawings	2.0	1.2	2.2	2.3	2.2	1.9	1.8	1.7	1.7	1.2	1.2
Amortization (paid)	-10.3	-9.7	-7.3	-7.7	-7.3	-6.5	-5.4	-3.9	-2.2	-1.9	-1.5
of which: on oil-prepurchased debt	-4.6	-4.3	-3.2	-4.0	-3.8	-3.3	-2.5	-1.2	0.0	0.0	0.0
Others	0.0	-2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net, excluding IMF-ECF)	-0.7	0.2	-3.5	-3.7	-3.4	-2.0	-3.2	-1.2	-2.1	-2.7	-3.4
Banking system (net)	3.7	3.8	-1.1	-1.2	-1.1	-0.8	-2.2	-0.4	0.7	-0.2	-1.6
Central bank	1.1	1.0	-4.5	-4.8	-4.5	-4.8	-4.1	-4.1	-3.2	-3.2	-2.5
of which Use of SDR Allocations	1.5	1.5	0.0	…	…	…	…	…	…	…	
Commercial banks[5]	2.6	2.8	3.4	3.6	3.4	3.9	1.9	3.6	3.9	3.0	0.9
Nonbank financing[5]	-4.4	-3.7	-2.4	-2.5	-2.3	-1.2	-1.0	-0.8	-2.8	-2.5	-1.9
Of which: Repayment of domestic arrears	-4.7	-5.0	-2.3	-2.5	-2.3	-1.3	-2.3	-1.6	-1.8	-1.5	-1.4
Financing gap (- = surplus)	2.0	2.0	2.6	2.8	2.6	2.6	2.0	0.0	0.0	0.0	0.0
Expected financing (excluding IMF)	0.6	0.7	1.3	1.4	1.3	1.4	1.4	0.0	0.0	0.0	0.0
IMF-ECF	1.4	1.2	1.3	1.4	1.3	1.2	0.6	0.0	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	0.0
Memorandum items:											
Stock of domestic arrears[6]	19.4	16.7	19.4	15.9	15.0	19.4	15.3	12.9	10.3	8.2	5.4
Stock of government deposits	4.7	2.7	7.5	10.6	10.0	7.5	11.3	14.7	16.9	19.0	20.3
CEMAC Reference fiscal balance[7]	-4.0	-4.5	0.0	-1.9	-1.8	-0.3	2.8	2.9	0.7	1.2	1.9
GDP at current market prices	7,825	8,690	8,632	8,144	8,632	8,632	9,104	9,551	10,094	10,697	11,364
Non-oil GDP at market prices	5,834	6,153	6,616	6,266	6,616	6,616	7,087	7,612	8,216	8,868	9,574

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
	Prel.	Prel.	Prel.	Prel.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	561	856	797	549	2,763	488	554	594	656	2,292
Revenue	537	846	784	542	2,709	488	535	574	621	2,218
Oil revenue	362	666	589	356	1,973	284	324	351	391	1,349
of which: repayment of oil-prepurchased debt	29	92	165	24	311	14	40	31	69	154
Non-oil revenue	175	180	196	185	736	204	211	223	231	868
Direct taxes	71	76	73	73	292	98	80	83	59	321
Taxes on goods and services	59	58	57	75	250	67	78	81	86	311
Customs Receipts	33	34	42	30	139	32	37	41	56	166
Non-tax revenue	11	12	24	8	56	8	16	17	30	71
Grants	25	10	13	7	54	0	19	20	35	74
Expenditure	440	522	659	364	1,985	465	519	500	460	1,945
Current expenditure	354	452	560	303	1,669	359	382	380	387	1,509
Wages	85	85	86	122	379	94	102	102	109	406
Other primary current expenditure	215	307	416	122	1,060	192	225	223	239	878
Goods and services	58	78	72	9	217	53	49	51	36	190
Transfers	120	201	295	106	721	109	151	147	184	590
Social transfers (Lisungi, COVID-19 and other)	44	39	34	27	143	27	47	45	61	180
Oil-related transfers	29	92	165	24	311	14	40	31	69	154
Other Transfers	47	69	95	55	266	67	64	71	54	256
Common charges	28	20	43	3	94	16	18	18	20	70
Annex budgets and special accounts[1]	10	8	7	3	27	14	7	7	-1	27
Interest	54	60	58	59	230	73	56	56	39	224
Domestic	21	35	20	39	115	42	36	36	29	143
External	33	25	38	20	116	31	20	20	10	82
Capital expenditure	86	70	99	62	316	106	136	120	73	436
Domestically financed	32	36	59	34	162	35	67	53	43	198
Externally financed	53	34	39	28	155	71	69	67	31	238
Non-oil primary balance[2]	-187	-273	-393	-113	-965	-187	-233	-202	-156	-778
Basic primary balance	204	418	222	264	1,109	168	141	196	231	735
Basic non-oil primary balance[3]	-158	-248	-366	-92	-864	-116	-183	-155	-160	-614
— excluding oil-related transfers[4]	-128	-156	-201	-68	-553	-102	-143	-124	-91	-459
Primary balance	175	394	196	243	1,008	96	91	149	235	571
Overall balance, payment order basis										
Excluding grants	96	324	125	177	724	23	16	73	161	273
Including grants	121	334	138	184	778	23	35	93	196	347
Overall balance, cash basis	121	334	138	184	778	23	35	93	196	347
Financing	-173	-391	-155	-230	-949	-19	-104	-138	-312	-573
Foreign (net, excluding budgetary support)	-213	-387	-270	-96	-966	-125	-86	-94	-96	-400
Drawings	29	25	27	21	101	71	50	47	-4	164
Amortization Net (Paid) on principal, external	-242	-292	-235	-75	-843	-154	-135	-141	-134	-564
Others	0.0	-119.6	-61.6	-41.9	-223	-42	0	0	42	0
Domestic (net, excluding IMF-ECF)	40	-4	115	-134	17	105	-19	-43	-216	-173
Banking	120	79	148	-14	334	147	-9	-18	-193	-72
Central Bank (net)	20	57	123	-111	89	138	-49	-103	-398	-412
of which: Change in government deposits (- = an increase)	-40	18	111	-108	-19	137	-49	-115	-384	-412
Use of SDR Allocations	62	50	18	0	130	0	0	0	0	0
Commercial banks (net)	101	22	25	98	245	9	41	85	205	340
Nonbank financing	-80.7	-83.3	-33.2	-120.0	-317.2	-42	-10	-25	-23	-101
Of which: Repayment of domestic arrears	-154	-115	-37	-126	-431	-42	-11	-28	-29	-110
Financing gap (- = surplus)	52	57	17	45	171	-4	69	44	116	226
Expected financing (excluding IMF)	0	20	0	44	63	21	39	21	39	120
IMF-ECF	54	54	0	0	108	53	26	0	26	105
Residual	-2	-17	17	2	0	-78	4	23	51	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
	Prel.	Prel.	Prel.	Prel.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	561	1417	2214	2763	2763	488	1042	1636	2292	2292
Revenue	537	1383	2167	2709	2709	488	1023	1596	2218	2218
Oil revenue	362	1028	1617	1973	1973	284	608	958	1349	1349
of which: repayment of oil-prepurchased debt	29	122	287	311	311	14	54	85	154	154
Non-oil revenue	175	355	551	736	736	204	415	638	868	868
Direct taxes	71	147	220	292	292	98	178	262	321	321
Taxes on goods and services	59	118	174	250	250	67	144	225	311	311
Customs Receipts	33	67	109	139	139	32	68	110	166	166
Non-tax revenue	11	23	48	56	56	8	24	41	71	71
Grants	25	34	47	54	54	0	19	39	74	74
Expenditure	440	962	1621	1985	1985	465	984	1484	1945	1945
Current expenditure	354	806	1366	1669	1669	359	741	1122	1509	1509
Wages	85	170	257	379	379	94	195	297	406	406
Other primary current expenditure	215	522	938	1060	1060	192	417	639	878	878
Goods and services	58	136	208	217	217	53	103	154	190	190
Transfers	120	320	615	721	721	109	259	406	590	590
Social transfers (Lisungi, COVID-19 and other)	44	83	117	143	143	27	74	119	180	180
Oil-related transfers	29	122	287	311	311	14	54	85	154	154
Other Transfers	47	116	211	266	266	67	131	202	256	256
Common charges	28	48	91	94	94	16	33	51	70	70
Annex budgets and special accounts[1]	10	18	25	27	27	14	21	28	27	27
Interest	54	114	171	230	230	73	129	185	224	224
Domestic	21	56	75	115	115	42	78	113	143	143
External	33	58	96	116	116	31	52	72	82	82
Capital expenditure	86	156	255	316	316	106	242	363	436	436
Domestically financed	32	69	128	162	162	35	102	155	198	198
Externally financed	53	88	127	155	155	71	140	207	238	238
Non-oil primary balance[2]	-187	-459	-852	-965	-965	-187	-420	-622	-778	-778
Basic primary balance	204	622	845	1109	1109	168	309	505	735	735
Basic non-oil primary balance[3]	-158	-406	-772	-864	-864	-116	-299	-454	-614	-614
— excluding oil-related transfers[4]	-128	-284	-485	-553	-553	-102	-244	-369	-459	-459
Primary balance	175	569	765	1008	1008	96	188	337	571	571
Overall balance, payment order basis										
Excluding grants	96	421	546	724	724	23	39	112	273	273
Including grants	121	455	593	778	778	23	58	151	347	347
Overall balance, cash basis	121	455	593	778	778	23	58	151	347	347
Financing	-173	-564	-719	-949	-949	-19	-124	-261	-573	-573
Foreign (net, excluding budgetary support)	-213	-600	-870	-966	-966	-125	-210	-305	-400	-400
Drawings	29	53	80	101	101	71	121	168	164	164
Amortization Net (Paid) on principal, external	-242	-534	-768	-843	-843	-154	-289	-431	-564	-564
Others	0	-120	-181	-223	-223	-42	-42	-42	0	0
Domestic (net, excluding IMF-ECF)	40	36	150	17	17	105	87	43	-173	-173
Banking	120	200	348	334	334	147	139	121	-72	-72
Central Bank (net)	20	77	200	89	89	138	89	-14	-412	-412
of which: Change in government deposits (- = an increase)	-40	-22	89	-20	-19	137	88	-27	-412	-412
Use of SDR Allocations	62	112	130	130	130	0	0	0	0	0
Commercial banks (net)	101	123	147	245	245	9	50	135	340	340
Nonbank financing	-81	-164	-197	-317	-317	-42	-52	-77	-101	-101
Of which: Repayment of domestic arrears	-154	-269	-305	-431	-431	-42	-53	-81	-110	-110
Financing gap (- = surplus)	52	109	126	171	171	-4	65	110	226	226
Expected financing (excluding IMF)	0	20	20	63	63	21	60	81	120	120
IMF-ECF	54	108	108	108	108	53	79	79	105	105
Residual	-2	-19	-2	0	0	-78	-74	-51	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 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 4. Republic of Congo: Medium-Term Balance of Payments, 2022–28[1]
(Billions of CFA francs)

	2022	2022	2023	2023	2024	2025	2026	2027	2028
	CR 23/89	Prel.	CR 23/89			Proj.			
Current account	1,687	1,685	692	335	149	-11	-185	-208	-260
of which non-oil	-1,101	-807	-1,595	-1,599	-1,719	-1,791	-2,002	-1,856	-1,917
Trade balance	4,134	4,283	3,424	2,873	2,798	2,620	2,346	2,267	2,180
Exports, f.o.b.	6,710	6,947	6,397	5,592	5,606	5,552	5,456	5,453	5,479
Oil sector	5,580	5,797	5,268	4,565	4,545	4,374	4,235	4,123	4,038
Non-oil sector	1,130	1,150	1,129	1,027	1,061	1,178	1,221	1,329	1,441
Imports, f.o.b.	-2,576	-2,664	-2,973	-2,720	-2,808	-2,932	-3,110	-3,186	-3,299
Oil sector	-1,350	-1,520	-1,441	-1,270	-1,278	-1,252	-1,197	-1,252	-1,214
Government	-292	-253	-380	-349	-351	-390	-443	-422	-422
Non-oil private sector	-933	-891	-1,152	-1,100	-1,179	-1,290	-1,469	-1,512	-1,663
Balance of services	-1,512	-1,556	-1,819	-1,677	-1,740	-1,741	-1,649	-1,630	-1,626
Oil sector	-704	-816	-781	-694	-700	-689	-573	-612	-592
Nonoil sector	-808	-740	-1,038	-983	-1,040	-1,052	-1,077	-1,018	-1,034
Income	-954	-1,067	-958	-906	-936	-929	-925	-894	-869
Labor income	-25	-25	-23	-20	-20	-20	-20	-20	-20
Investment income	-930	-1,042	-935	-886	-916	-909	-905	-874	-849
Current transfers (net)	19	26	45	45	27	39	43	48	54
Capital account	21	21	15	15	59	73	80	88	96
Official grants	15	15	15	15	59	73	80	88	96
Debt cancellation	6	6	0	0	0	0	0	0	0
Non-financial non-produced assets	0	0	0	0	0	0	0	0	0
Financial account	-1,499	-1,681	-560	-292	-151	99	309	381	522
Direct investment (net)	307	320	386	396	442	496	502	499	497
Portfolio investment	138	138	139	139	149	142	143	145	143
Other investment	-1,944	-2,138	-1,084	-827	-742	-539	-336	-263	-118
Medium and long term	-599	-701	-334	-301	-220	-158	-6	-17	12
Public sector	-605	-717	-390	-352	-273	-210	-56	-71	-41
Drawings	188	132	237	213	216	164	170	129	135
Project	157	101	186	164	167	164	170	129	135
Program	0	0	0	0	0	0	0	0	0
Other (collateralized)	31	31	51	48	49	0	0	0	0
Amortization[1]	-788	-843	-627	-564	-489	-374	-226	-200	-176
Net change in arrears	-6	-6	0	0	0	0	0	0	0
Chinese deposits	0	-223	0	0	0	0	0	0	0
SDR Allocation	0	0	0	0	0	0	0	0	0
Private sector	7	16	55	51	53	52	50	53	53
Oil	39	51	42	37	38	36	33	35	34
Non-oil	-33	-35	14	14	15	16	17	18	20
Short term	-1,345	-1,437	-750	-526	-522	-381	-330	-246	-130
Errors and omissions	0	0	0	0	0	0	0	0	0
Overall balance of payments	208	26	147	58	57	162	205	261	358
Financing	-367	-197	-373	-284	-238	-162	-205	-263	-381
Reserve financing (- = increase)	-373	20	-373	-284	-238	-162	-205	-261	-358
Government deposits abroad	0	-223	0	0	0	0	0	0	0
Exceptional financing [2]	6	6	0	0	0	0	0	0	0
Financing gap (- = surplus)	159	171	226	226	182	0	0	0	0
Expected financing (excluding IMF)	51	63	115	120	129	0	0	0	0
IMF-ECF	108	108	110	105	53	0	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, 2022–28
(Billions of CFA francs, unless otherwise specified)

	2022	2022	2023	2023				2024	2025	2026	2027	2028
				Q1	Q2	Q3	Q4					
	CR 23/89	Prel.	CR 23/89	Prel.	Proj.	Proj.	Proj.			Proj.		
Net foreign assets	724	259	966	143	146	223	402	695	888	1,105	1,393	1,799
Central bank	538	145	800	63	108	179	324	509	676	884	1,147	1,528
Deposit money banks	186	114	166	79	38	43	79	186	212	221	246	271
Net domestic assets	1,775	2,132	1,926	2,258	2,354	2,368	2,236	2,277	2,314	2,481	2,564	2,474
Net domestic credit	2,325	2,593	2,276	2,730	2,777	2,773	2,696	2,627	2,664	2,831	2,914	2,824
Net credit to the public sector	1,104	1,319	1,007	1,509	1,501	1,483	1,352	1,202	1,156	1,228	1,205	1,002
Net credit to the Government	1,111	1,330	1,014	1,520	1,512	1,494	1,363	1,212	1,166	1,238	1,216	1,013
Central bank	583	731	192	920	870	768	424	100	-295	-620	-962	-1,271
Claims	948	969	1,058	1,021	1,021	1,033	1,074	1,127	1,108	1,090	1,073	1,033
Use of IMF Credit	135	133	245	184	210	210	239	292	286	284	281	257
Deposits	-365	-238	-867	-101	-150	-266	-650	-1,028	-1,402	-1,710	-2,035	-2,304
Deposit money banks	528	599	822	601	641	726	939	1,113	1,461	1,858	2,178	2,283
Claims on public agencies, net	-7	-10	-7	-11	-11	-11	-10	-10	-10	-10	-10	-10
Credit to the economy[1]	1,220	1,273	1,269	1,220	1,277	1,290	1,344	1,425	1,508	1,603	1,709	1,822
Credit to the private sector	1,171	1,190	1,216	1,134	1,208	1,214	1,254	1,329	1,405	1,492	1,589	1,692
Other items, net	-550	-460	-350	-471.8	-423.0	-405.0	-460	-350	-350	-350	-350	-350
Broad money	2,499	2,391	2,892	2,401	2,501	2,590	2,639	2,973	3,202	3,586	3,957	4,273
Currency outside banks	696	430	806	401	432	438	474	534	575	644	711	768
Demand deposits	1,214	1,317	1,411	1,291	1,332	1,391	1,456	1,643	1,772	1,988	2,196	2,374
Time deposits	551	619	638	663	690	715	683	769	829	928	1,024	1,106
	(Changes in percent of beginning-of-period broad money)											
Broad money	9.3	4.6	15.7	0.4	4.6	8.3	10.4	12.7	7.7	12.0	10.3	8.0
Net foreign assets	15.9	-4.4	9.7	-4.9	-4.7	-1.5	6.0	11.1	6.5	6.8	8.0	10.3
Net domestic assets	-6.6	9.1	6.0	5.3	9.3	9.8	4.3	1.6	1.2	5.2	2.3	-2.3
Net domestic credit	5.9	17.7	-2.0	5.7	7.7	7.5	4.3	-2.6	1.2	5.2	2.3	-2.3
Net credit to the public sector	6.7	16.1	-3.9	8.0	7.6	6.8	1.4	-5.7	-1.6	2.3	-0.6	-5.1
Credit to the economy	-0.7	1.6	1.9	-2.2	0.1	0.7	2.9	3.1	2.8	3.0	2.9	2.9
Credit to the private sector	1.7	2.5	1.8	-2.3	0.8	1.0	2.7	2.8	2.5	2.7	2.7	2.6
Other items, net	-12.5	-8.6	8.0	-0.5	1.6	2.3	--	4.2	--	--	--	0.0
	(Annual percent changes, unless otherwise indicated)											
Broad money	9.3	4.6	15.7	19.4	19.9	16.4	10.4	12.7	7.7	12.0	10.3	8.0
Reserve money	12.6	-14.2	22.3	8.8	26.3	44.0	46.6	7.2	10.3	21.0	10.3	8.0
Credit to the economy	-1.3	3.0	4.0	-0.1	3.0	5.1	5.5	6.1	5.8	6.3	6.6	6.6
Credit to the private sector	3.5	5.1	3.8	1.8	2.8	4.9	5.4	6.0	5.7	6.2	6.5	6.5
Velocity (Non-oil GDP/average M2)	2.3	2.6	2.2	...	...	...	2.5	2.4	2.4	2.3	2.2	2.2
	(Percent)											
Total nominal GDP growth	16.4	17.1	4.1	...	...	...	-0.7	5.5	4.9	5.7	6.0	6.2
Non-oil nominal GDP growth	7.0	6.5	7.4	...	...	...	7.5	7.1	7.4	7.9	7.9	8.0
Credit to the economy/Non-oil GDP	20.9	20.7	20.2	...	...	...	20.3	20.1	19.8	19.5	19.3	19.0
Memorandum Items:												
Gross imputed official reserves (CFA billion)	924	578	1296	480	551	623	862	1100	1262	1467	1728	2085
In months of imports	2.2	1.5	2.8	...	...	...	2.1	2.7	3.0	3.4	4.0	4.5
Central bank liablities to non-residents	385.7	432.9	496.0	417.0	443.3	443.3	538.3	591.3	585.9	583.3	580.6	556.8

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, 2015–22

(Percent, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021	2022 Q2	2022 Q4
Core FSIs									
Capital Adequacy[1, 2]									
Regulatory capital to risk-weighted assets	19.5	19.1	22.8	24.9	29.6	18.8	21.8	22.9	23.1
Nonperforming loans net of provisions to capital	15.4	28.3	53.1	71.8	74.7	61.1	30.2		
Asset Quality									
Nonperforming loans to total gross loans	5.0	8.0	16.2	22.5	27.5	21.0	16.9	18.6	16.8
Provisions to nonperforming loans	51.9	38.6	35.8	36.7	35.9	53.0	64.2	63.8	62.4
Earnings and Profitability									
Return on assets	2.1	1.6	1.5	1.2	0.6	1.1	2.2	2.4	
Return on equity	16.2	8.0	7.2	4.6	1.2	6.3	11.9	13.0	
Liquidity									
Liquid assets to total assets	21.1	16.7	22.7	26.8	23.8	26.9	27.2	32.1	30.9
Liquid assets to short-term liabilities	116.1	104.4	146.6	176.0	152.0	174.4	175.9	196.7	173.6
Additional FSIs									
Large exposures to capital	187.2	154.2	157.5	157.2	133.6	126.0	104.7	104.8	107.8
Trading income to total income	11.1	6.8	40.1	47.3	38.6	163.6	-7.1	-11.5	
Personnel expenses to noninterest expenses	22.1	24.2	13.8	10.5	11.1	25.1	23.4	25.2	
Customer deposits to total (noninterbank) loans	125.5	102.8	93.6	91.5	104.3	112.1	111.2	119.3	133.1
FX loans to total loans	2.4	2.2	5.0	3.0	0.7	0.1	0.1	0.1	0.1
Residential real estate loans to total gross loans	1.7	1.5	0.7	0.6	0.7	1.5	2.4	2.7	2.9
Commercial real estate loans to total gross loans	0.1	0.0	0.3	0.4	0.3	0.9	0.3	0.2	0.1

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, 2022–28

(Billions of CFA francs)

	2022 Prel.	2023 Proj	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj
	(in billions of CFA Francs)						
A. Overall fiscal balance (cash basis) [-=surplus]	-778	-347	-432	-327	-266	-356	-433
B. Financing needs	2211	1544	1720	1944	1799	1948	1949
Amortization (including arrears)	1958	1128	1338	1550	1472	1603	1660
External	888	564	489	374	226	200	176
Amortization due	883	564	489	374	226	200	176
ow DSSI amortization	0	-73	-74	-20	-20	0	0
Domestic	1070	563	849	1177	1246	1403	1484
Amortization due	639	453	641	1022	1062	1245	1327
Repayment of domestic arrears	431	110	208	155	184	158	157
BEAC	19	412	378	389	322	340	285
Repayment of statutory advances	0	0	0	14	15	15	16
Change in government deposits (+ = an increase)	19	412	378	375	308	325	269
Commercial Banks	10	5	5	5	5	5	5
Change in government deposits (+ = an increase)	10	5	5	5	5	5	5
Other external financing	223	0	0	0	0	0	0
Errors and omissions	0	0	0	0	0	0	0
C=A+B Total financing needs	1433	1197	1288	1618	1533	1592	1517
D. Identified sources of financing	1262	971	1106	1618	1533	1592	1517
External	146	164	167	164	170	129	135
Project financing	101	164	167	164	170	129	135
Loans	101	164	167	164	170	129	135
Domestic	1117	807	939	1454	1363	1463	1382
SDR allocation channeled through BEAC	130	0	0	0	0	0	0
Commercial bank and non-bank financing	1008	802	939	1454	1363	1463	1382
Other	-21	0	0	0	0	0	0
E=C-D Financing gap (-=overfinancing)	171	226	182	0	0	0	0
F. Exceptional external financing (excl. IMF)	63	120	129	0	0	0	0
Multilateral	44	107	117	0	0	0	0
Bilateral	20	13	11	-	-	-	-
G=E-F Residual financing needs	108	105	53	0	0	0	0
IMF-ECF	108	105	53	0	0	0	0

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

Table 8. Republic of Congo: Public Debt by Creditor, 2022–24 [1]

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

	Debt Stock (end of period)			Debt Service						
	2022			2022	2023	2024		2022	2023	2024
	(In Million US$)	*(Percent total debt)*	*(Percent GDP)* [8]	*(In Million US$)*				*(Percent GDP)*		
Total	12,976	100	92.5	3,344	2,227	2,590		24.0	15.6	17.3
External	6,039	47	43.1	1,440	1,062	906		10.3	7.5	6.1
Multilateral creditors[2,3]	1,261	9.7	9.0	55	67	73		0.4	0.5	0.5
IMF	211	1.6	1.5	…	…	…	…	…	…	…
World Bank	540	4.2	3.8	…	…	…	…	…	…	…
ADB/AfDB/IADB	387	3.0	2.8	…	…	…	…	…	…	…
Other Multilaterals	124	1.0	0.9	…	…	…	…	…	…	…
o/w: BDEAC	76	0.6	0.5	…	…	…	…	…	…	…
IFAD	24	0.2	0.2	…	…	…	…	…	…	…
Bilateral Creditors	2,827	21.8	20.2	318	361	346		2.3	2.5	2.3
Paris Club	452	3.5	3.2	65	80	75		0.5	0.6	0.5
o/w: France	199	1.5	1.4	…	…	…	…	…	…	…
Belgium	128	1.0	0.9	…	…	…	…	…	…	…
Non-Paris Club	2,376	18.3	16.9	252	282	272		1.8	2.0	1.8
o/w: China	1,973	15.2	14.1	…	…	…	…	…	…	…
India	84	0.6	0.6	…	…	…	…	…	…	…
Commercial creditors[2]	1,950	15.0	13.9	1,067	633	488		7.6	4.4	3.3
o/w: Bonds	226	1.7	1.6	41	40	38		0.3	0.3	0.3
Other international creditors	1,724	13.3	12.3	1,026	594	450		7.3	4.2	3.0
o/w: Largest two creditors	1,009	7.8	7.2	…	…	…	…	…	…	…
Others	715	5.5	5.1	…	…	…	…	…	…	…
Domestic[6]	6937	53.5	49.5	1904	1165	1684		13.6	8.2	11.3
T-Bills[7]	…	…	…	…	…	…	…	…	…	…
Bonds[7]	3038	23.4	21.7	1185	940	1299		8.5	6.6	8.7
Loans	1187	9.1	8.5	26	27	27		0.2	0.2	0.2
Memo items:										
Collateralized debt[4]										
o/w: Related	1,009	…	7.2	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…
Contingent liabilities										
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities[5]	259	…	1.8							
Nominal GDP	13,961	…	…	…	…	…	…	…	…	…

[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] Domestic debt service includes arrears repayment.

[7] T-Bills and T-Bonds are grouped together.

[8] Calculated with debt stock and GDP in local currency units.

Table 9. Republic of Congo: External Arrears, 2022–23
(Year-end; billions of CFAF, unless otherwise indicated)

	February 2022 stock			August 2022 stock			December 2022 stock			December 2022 (Excl. unrestructured pre-HIPC arrears)			February 2023 stock			February 2023 (Excl. unrestructured pre-HIPC arrears)		
	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total	**379**	**648**	**4.4**	**337.0**	**513.8**	**3.9**	**312.4**	**504.3**	**3.6**	**22.7**	**36.6**	**0.3**	**298.6**	**492.7**	**3.5**	**8.9**	**14.6**	**0.1**
Multilateral and other creditors	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	0.0	0.0
Bilateral	88.9	151.8	1.0	92.2	140.6	1.1	86.7	140.0	1.0	13.8	22.3	0.2	72.9	120.3	0.8	0.0	0.0	0.0
Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	11.9	19.1	0.1	11.9	19.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Brazil	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	0.0	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	5.7	9.2	0.1	5.7	9.2	0.1	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	6.2	10.0	0.1	6.2	10.0	0.1	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	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	0.0	0.0
Non-Paris Club	88.9	151.8	1.0	92.2	140.6	1.1	74.9	120.9	0.9	1.9	3.1	0.0	72.9	120.3	0.8	0.0	0.0	0.0
United Arab Emirates	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	0.0	0.0
Angola	66.4	113.4	0.8	74.1	113.0	0.9	69.8	112.6	0.8	0.0	0.0	0.0	69.8	115.1	0.8	0.0	0.0	0.0
China	1.2	2.0	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	0.0
India Exim Bank	18.2	31.0	0.2	15.0	22.8	0.2	1.9	3.1	0.0	1.9	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	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	0.0	0.0
Saudi Arabia	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	0.0	0.0
Turkey	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	0.0	0.0
Postal debt	3.1	5.4	0.0	3.1	4.8	0.0	3.1	5.1	0.0	0.0	0.0	0.0	3.1	5.2	0.0	0.0	0.0	0.0
Private Creditors	290	495.8	3.3	244.8	373.2	2.8	225.7	364.3	2.6	8.9	14.3	0.1	225.7	372.4	2.6	8.9	14.6	0.1
CMEC and Chinese companies	62	106.2	0.7	16.5	25.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eurobond	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	0.0	0.0
Afreximbank	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	0.0	0.0
Oil traders	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	0.0	0.0
Suppliers[1]	228	390	2.6	228.2	347.9	2.6	225.7	364.3	2.6	8.9	14.3	0.1	225.7	372.4	2.6	8.9	14.6	0.1

Source: Congolese authorities and IMF staff estimates.

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

(Millions of SDRs, unless otherwise stated)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
IMF obligations based on existing credit																
Principal	0.0	0.0	6.5	6.5	19.4	38.9	45.4	38.9	38.9	25.9	6.5	0.0	0.0	0.0	0.0	0.0
Charges and interest	4.4	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
IMF obligations based on prospective credit																
Principal	0.0	0.0	0.0	0.0	0.0	0.0	16.2	25.9	25.9	25.9	25.9	9.7	0.0	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	4.4	8.8	15.3	15.3	28.3	47.7	70.4	73.6	73.6	60.7	41.2	18.6	8.8	8.8	8.8	8.8
CFAF billions	3.6	7.2	12.6	12.6	23.4	39.8	58.7	61.4	61.4	50.6	34.4	15.5	7.4	7.4	7.4	7.4
Percent of exports of goods and services	0.1	0.1	0.2	0.2	0.4	0.7	1.0	1.0	0.9	0.8	0.5	0.2	0.1	0.1	0.1	0.1
Percent of debt service[1]	0.6	1.3	2.9	4.6	9.4	18.0	24.6	24.6	24.5	21.5	15.6	7.5	3.6	3.5	3.4	3.3
Percent of GDP	0.0	0.1	0.1	0.1	0.2	0.3	0.48	0.47	0.44	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Percent of tax revenue	0.2	0.3	0.6	0.5	1.0	1.5	2.2	2.1	2.0	1.5	1.0	0.4	0.2	0.2	0.2	0.1
Percent of quota	2.7	5.5	9.5	9.5	17.5	29.5	43.5	45.5	45.5	37.5	25.5	11.5	4.5	4.5	4.5	4.5
Outstanding IMF credit based on existing and prospective drawings																
SDR millions	291.6	356.4	349.9	343.4	324.0	285.1	223.6	158.8	94.0	42.1	9.7	0.0	0.0	0.0	0.0	0.0
CFAF billions	237.1	291.3	287.4	283.3	268.4	237.6	186.3	132.3	78.3	35.1	8.1	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	4.0	4.9	4.9	4.9	4.7	4.1	3.1	2.1	1.2	0.5	0.1	0.0	0.0	0.0	0.0	0.0
Percent of debt service[1]	36.7	52.2	66.5	102.2	108.0	107.6	78.1	53.1	31.3	14.9	3.7	0.0	0.0	0.0	0.0	0.0
Percent of GDP	2.7	3.2	3.0	2.8	2.5	2.1	1.5	1.0	0.6	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Percent of tax revenue	11.0	13.1	12.7	12.1	10.9	9.3	6.8	4.6	2.5	1.1	0.2	0.0	0.0	0.0	0.0	0.0
Percent of quota	180.0	220.0	216.0	212.0	200.0	176.0	138.0	98.0	58.0	26.0	6.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:																
Exports of goods and services (CFAF billions)	5,896	5,912	5,862	5,765	5,769	5,803	5,995	6,218	6,472	6,742	7,011	7,152	7,192	7,162	7,085	7,072
External Debt service (CFAF billions)[1]	646	558	432	277	248	221	239	249	250	235	220	206	203	210	216	221
Nominal GDP (CFAF billions)	8,632	9,104	9,551	10,094	10,697	11,364	12,167	13,043	14,005	15,044	16,167	17,319	18,529	19,786	21,128	22,602
Tax revenue (CFAF billions)	2,147	2,221	2,270	2,346	2,460	2,567	2,727	2,902	3,096	3,309	3,538	3,760	3,991	4,535	4,790	5,058
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: Quantitative Performance Criteria and Indicative Targets, 2022–24

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

	Type of criteria	End-Dec 2022				End-Mar 2023	End-June 2023		End-Sept 2023		End-Dec 2023		End-Mar 2024	End-June 2024
		PC Program	PC Modified Program	Actual	Status	IT Program	PC Program	PC Modified Program	IT Program	IT modified Program	PC Program	PC Modified Program	IT Program	PC Program
Floor on basic non-oil primary budget balance (excluding oil-related transfers)[2]	PC	-510	-506	-553	Not Met	-143	-303	-244	-444	-369	-523	-459	-132	-262
Adjusted target (floor)			-535											
Upward adjustment for higher than expected oil-related transfers			31											
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower oil revenue			-60											
Ceiling on net domestic financing of the central government	PC	-262	-57	125	Not Met	-15	-47	166	-121	122	-297	-67	-33	-40
Adjusted target (ceiling)			-373											
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue			-316											
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3,4]	PC	0	0	12	Not Met	0	0	0	0	0	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,5,6,8]	PC	0	0	0	Met	0	0	0	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[3,7]	PC	0	0	0	Met	0	0	0	0	0	0	0	0	0
Floor on non-oil revenues	IT	758	762	736	Not Met	191	405	415	632	638	881	868	224	457
Floor for social and poverty-reducing spending	IT	379	379	291	Not Met	80	181	181	322	322	402	402	85	191
Ceiling on disbursements of external loans for investment projects	IT	143	157	101	Met	67	123	121	176	168	186	164	62	112
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion)[5,8]	IT	69	33	24	Met	46	86	87	100	102	140	143	174	205
Floor on repayment of domestic arrears accumulated by the central government	IT	402	365	431	Met	20	40	53	90	81	200	110	21	42
Memo items:														
Oil revenue[9]		1546	1405	1661		241	584	553	965	873	1439	1195	321	631
Expected external assistance, net[10]		-870	-845	-726		-133	-239	-219	-364	-327	-555	-484	-91	-172
- BoP assistance (IMF-ECF)		158	108	108		55	83	79	83	79	110	105	0	26
- Budgetary loans and grants (excl. IMF)		103	98	117		30	88	79	127	121	189	194	38	85
- Change in non-program external arrears		0	0	0		0	0	0	0	0	0	0	0	0
Payments for current external debt service due after debt relief		974	943	843		164	328	298	491	448	744	678	129	258

[1] Quantitative Performance Criteria and Indicative Targets are defined in the TMU. "Program" columns reported for 2023 represent the PCs and ITs set at the time of the second review of the ECF arrangement; "Modified Program" columns for 2023 represent the modifications to these PCs and ITs proposed during the third review of the ECF arrangement; and columns for 2024 represent PCs and ITs set at the time of the third review of the ECF arrangement.

[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] This ceiling was reset against a waiver of non-observance from the Board at the time of the second review (February 2023), due to arrears that were incurred and resolved in January 2023. However, in March 2023 new arrears were accumulated that have been resolved only in May 2023.

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

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

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

[8] 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.

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

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

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REPUBLIC OF CONGO

Table 13a. Republic of Congo: Structural Benchmarks 2022–23			
Measures	**Target date**	**Status**	**Macroeconomic Rationale**
Prepare an inventory of all tax arrears to identify them with precision and establish the probability of recovery.	End-December 2022	Not Met Implementation completed with delay.	Improve tax administration and support domestic revenue mobilization efforts.
Update EDP pricing formula to account for improvements in CORAF's operating efficiency over the past three years.	End-December 2022	Not Met Implementation progresses, with finalization foreseeing setting explicitly the EDP adjustment coefficient to 10 percent.	Improve transparency and governance and protect public resources.
Operationalize the procurement planning template by mapping it to the 2023 budget.	End-December 2022	Met	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	Not Met Implementation expected by June 2024.	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	Met	Improve transparency and manage debt-related risks.

Table 13b. Republic of Congo: Proposed Structural Benchmarks 2023–24

Measures	Target date	Status	Macroeconomic Rationale
A comprehensive stock-taking of hydrocarbon-related VAT administration (including exemptions).	End-June 2023		Improve tax administration and support domestic revenue mobilization efforts.
Increase the resources available to cash transfer programs (Lisungi and Telema Projects) by 15% compared to the amounts allocated in 2022, making it possible to increase coverage and payment for beneficiary households.	End-July 2023		Reduce fragility, maintain social stability, reduce inequalities, and promote social inclusion.
Define and publish a list of project selection criteria (in line with C-PIMA recommendations), integrating the climate dimension.	End-September 2023		Improve public investment management.
Enactment of hydrocarbon-related VAT tax laws (into a single legislation).	End-December 2023		Improve tax administration and support domestic revenue mobilization efforts.
Formalize a standard methodology for the preliminary assessment of projects, considering climate aspects, including risk analysis.	End-December 2023		Improve public investment management.
Develop the 2024 action plan for implementing remaining recommendations from the 2018 governance diagnostic report.	End-January 2024		Reduce corruption, improve governance.
Publish first quarterly debt bulletin with detailed central government and state-owned enterprise stock and flow information.	End-March 2024		Improve transparency and manage debt-related risks.
Require submission of conflict-of-interest declarations for high-level officials at least, and publication of the declarations by the High Authority for the Fight against Corruption	End-April 2024		Reduce corruption, improve governance, and protect public resources.
Fully operationalize the modules for cash management, fiscal reporting, treasury, and procurement of the new Expenditure Tracking Software (SIGFIP).	End-June 2024		Improve transparency and governance and protect public resources.

Table 14. Republic of Congo: Prior Actions

Measures	Status	Macroeconomic Rationale
Increase gasoline fuel prices, both for retail and industry clients, by at least 10 percent, while eliminating the price differential between retail and industry clients.		Improve transparency and governance and protect public resources.
Establish legal provisions ensuring that government fees collected as part of the retail fuel price formula are deposited going forward in an on-budget, transparent, and monitorable account.		Improve transparency and governance and protect public resources.

Table 15. Republic of Congo: Impact of Key Fiscal Measures Introduced in 2023
(Percent of non-oil GDP)

Fiscal Measures	Amount included in Projections (percent non-oil GDP), 2023-25	Details
Revenue		
SNPC dividends	0.4	Annual payment of dividends by SNPC, at least CFAF 10 billion in 2023, CFAF 5.4 billion in 2024 and CFAF 3.5 billion in 2025.
Require SNPC pay import VAT and customs duties.	0.5	SNPC will pay VAT on imports of fuel products and customs duties from 2023. For import VAT and customs duty, an annual yield of 0.11 and 0.06 percent of non-oil GDP is estimated based on import projections of petroleum products, respectively.
Require CORAF to apply VAT, which will flow through to the deregulated retail price.	0.8	Fuel prices will be gradually deregulated during 2023-24 with full VAT application throughout the supply chain, including by CORAF. Assuming retail fuel prices are raised 30 percent on 2023 and 45 percent in 2024, projected yields (in percent non-oil GDP) during 2023-25 from this reform are (i) 0.25 percent in 2023; (ii) 0.29 percent in 2024; and (iii) 0.29 percent in 2025.
Expenditure		
Continued rationalization of transfers and subsidies to inefficient SOEs	4.4	Oil-related transfers decline from 5.1 to 0.8 percent of non-oil GDP between 2022 and 2025.
Expand social assistance	-0.3	Expand the social cash transfer program to protect the most vulnerable from fuel price deregulation.
Total Fiscal Yields	5.8	

1. Yields from fiscal measures are relative to non-oil revenues in 2022 (prior to th eintroduction of these measures).
2. Non-oil revenue reforms initiated during 2019-20 continue to be applied and are expected to yield 1.2 percent of non-oil GDP during 2023-25, relative to 2020. These measures include (i) recovery of tax arrears periodically assessed by the authorities, averaging an annual yield of 0.05 percent of non-oil GDP; (ii) e-tax declaration and payment, higher excises in line with CEMAC guidelines, gradual phasing out of CIT exemptions for violating investment conventions, and increased taxes on certain non-petroleum exports, averaging an annual yield of 0.3 percent of non-oil GDP; (iii) expanded tax base for land tax, with an expected annual yield of 0.05 percent of non-oil GDP.

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

Table 16. Social Spending in the 2022–23 Budget

(Billions of CFAF)

ITEM	2022 budgeted	2022 realized	2023 budget prevision Q1	Q2	Q3	Q4	Total
Basic health and fight against disease	**174.3**	**110.3**	**39.3**	**49.1**	**68.8**	**39.3**	**196.6**
Acquisition and management program of essential and generic drugs, biological and reagent check-up	6.2	4.9	1.5	1.9	2.6	1.5	7.4
Program of free AIDS drugs, biological and reagent check-up	18.0	1.8	3.4	4.3	6.0	3.4	17.1
AIDS education and outreach campaign	0.5	0.7	0.1	0.1	0.2	0.1	0.5
Malaria and other diseases control program	15.1	5.5	3.3	4.1	5.8	3.3	16.5
Extended vaccination program	12.9	4.8	2.6	3.2	4.5	2.6	12.8
Response to epidemics	17.6	15.2	2.9	3.7	5.1	2.9	14.7
Free caesarean section program	2.4	1.1	0.5	0.6	0.9	0.5	2.5
Tuberculosis control program	0.5	1.4	0.1	0.1	0.2	0.1	0.5
Program for the control of non-contagious diseases, including trypanosomiasis and onchocerciasis	0.7	0.3	0.1	0.2	0.3	0.1	0.7
Revitalization of health districts through the purchase of medical-technical equipment and functioning of hospitals and health centers	73.0	54.8	19.8	24.8	34.7	19.8	99.2
Construction and rehabilitation of general and basic hospitals as well as health centers in towns and rural centers	23.2	14.0	3.9	4.8	6.7	3.9	19.3
Women's and teenager health	4.2	5.8	1.1	1.4	2.0	1.1	5.6
Basic education	**102.6**	**55.9**	**28.9**	**36.1**	**50.5**	**28.9**	**144.4**
Construction and rehabilitation of school buildings	6.5	1.7	2.1	2.6	3.7	2.1	10.5
Program of free school supplies, textbooks and tuition fees as well as teaching materials in primary, secondary general, technical and vocational schools	24.3	15.6	5.3	6.6	9.3	5.3	26.5
School canteen program	5.1	3.9	1.4	1.8	2.5	1.4	7.1
Strengthening the capacities of the education and research system	27.0	29.4	12.6	15.7	22.0	12.6	62.8
Scholarships, school and university aid	30.5	4.4	6.3	7.9	11.0	6.3	31.5
Program for the acquisition of table-bench at school level	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction, rehabilitation of university infrastructure and equipment, scientific research and technological innovation	9.2	1.0	1.2	1.5	2.1	1.2	5.9
Infrastructures for improved access	**52.2**	**30.6**	**11.6**	**14.5**	**20.4**	**11.6**	**58.2**
Construction and rehabilitation of rural and agricultural roads through the Commercial Agriculture Development Program (PDAC)	5.3	9.8	1.3	1.7	2.3	1.3	6.6
River maintenance, dredging and tagging	2.7	3.1	1.0	1.2	1.7	1.0	4.9
Community projects and revitalization of the village fabric	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Construction and repair of access infrastructure (roads, bridges, etc.)	43.5	17.7	9.3	11.7	16.3	9.3	46.7
Electricity, water and sanitation	**69.8**	**59.6**	**11.2**	**14.0**	**19.6**	**11.2**	**55.9**
"Water for all" program to continue the drinking water supply operation in urban and rural centers	10.7	7.4	2.0	2.5	3.5	2.0	10.0
Construction of electrical works for population access to energy	16.7	4.3	3.5	4.4	6.1	3.5	17.6
Sanitation of towns and, as a consequence, the cleaning of gutters and the destruction of breeding sites	42.4	47.9	5.7	7.1	9.9	5.7	28.4
Social protection and employment	**58.9**	**21.9**	**15.3**	**19.1**	**26.7**	**15.3**	**76.4**
Charitable actions and social assistance	0.7	0.3	0.1	0.2	0.3	0.1	0.7
Integration and social and economic reintegration of disabled people and minorities	0.4	0.3	0.1	0.2	0.2	0.1	0.6
Support for vulnerable people and street children	28.1	21.3	8.7	10.8	15.2	8.7	43.4
Self-employment and training for small trades through income-generating activities for the benefit of young people in general and particularly unemployed young people	2.7	0.1	0.6	0.8	1.1	0.6	3.2
Implementation of universal health insurance	26.9	0.0	5.7	7.1	9.9	5.7	28.4
Agriculture, fishing and livestock	**16.9**	**10.1**	**4.0**	**5.0**	**7.0**	**4.0**	**20.1**
Supervision program for market gardeners in urban and rural centers	9.9	6.0	2.5	3.1	4.3	2.5	12.3
Improved seed distribution program	0.5	1.3	0.2	0.2	0.3	0.2	0.8
Agricultural techniques outreach and demonstration program	2.7	2.2	0.6	0.8	1.1	0.6	3.1
Livestock techniques demonstration program	3.7	0.5	0.8	0.9	1.3	0.8	3.8
Bovine sharecropping program	0.1	0.1	0.0	0.0	0.0	0.0	0.1
Promotion of women	**4.8**	**2.3**	**1.1**	**1.4**	**1.9**	**1.1**	**5.6**
Gender issue	2.9	1.6	0.6	0.7	1.0	0.6	2.8
Self-employment and training in small trades through income-generating activities for the benefit of women and young mothers	2.0	0.7	0.6	0.7	1.0	0.6	2.8
TOTAL	**479.5**	**290.7**	**111.4**	**139.3**	**195.0**	**111.4**	**557.0**

Source: Congolese authorities.

Annex I. Country Engagement Strategy[1]

Congo's fragility is rooted in multiple factors, including social, institutional, and economic vulnerabilities. To overcome this fragility, it is crucial to strengthen institutions, diversify the economy. This requires implementing significant structural reforms, investing in capacity building (human, physical, technological), and ensuring macroeconomic stability. The ongoing ECF arrangement plays a vital role in supporting macroeconomic stability, promoting debt sustainability, and implementing governance reforms, while also attracting financial support from partners. Targeted capacity development in coordination with partners is instrumental in driving these reforms. Main risks to the engagement of the Fund include a weakening in program ownership, capacity limitations, and unfavorable external conditions.

A. Sources of Fragility

1. **The Republic of Congo is confronted with social and institutional fragility.**[2, 3] Despite being one of the largest crude oil producers and exporters in sub-Saharan Africa, weak institutional capacity has impeded more effective leveraging of oil revenues into broader-based, higher, more resilient, and inclusive growth.

- **Social inclusion and equity are inadequate.** Per capita GDP is low and falling relative to the rest of sub-Saharan Africa and other emerging and developing economies—where low or negative economic growth has fallen far short of population growth—and the unemployment rate, especially for youth, is amongst the world's highest. The Sustainable Development Goals (SDGs) have only been half met[4] and Congo Gini coefficient is among the 20 highest in the world. The situation has been worsened by the pandemic and the 2022 food crisis. Around 40 percent of the population is extremely poor. While the wealthier segments of the population are highly educated, as reflected in a relatively strong overall human capital index and high life expectancy averages, the rest of the population has very weak human development indicators—only 30 percent of primary school children attain minimum proficiency levels in math and 40 percent in French. Maternal and infant mortality rates are high, where 5 percent of children will not reach their fifth birthday and over 20 percent are undernourished. More broadly, 30 percent of the overall population is undernourished with almost 90 percent of people estimated to be moderately or severely food insecure during 2019-21 (FAOSTAT). The situation is particularly acute in rural areas

[1] Prepared by the Republic of Congo team. This version reflects consultations with departments and in-depth discussions with development partners and the authorities.

[2] The Republic of Congo is classified as a fragile state by the IMF, where a country is considered fragile based on either (i) weak institutional capacity measured by the World Bank Policy and Institutional Assessment (CPIA) score averaging 3.2 or lower—Congo's score has averaged 2.7 since 2017, consistently below the 3.2 threshold; and/or (ii) experience of conflict signaled by the presence of a peace-keeping or peace-building operation in the most recent three-year period—Congo has had neither.

[3] Olusegun and others (2021).

[4] SDG Report 2022, https://dashboards.sdgindex.org/profiles/congo-rep

(dependent on subsistence agriculture), where access to critical services—such as electricity, water, and sanitation—is especially low.

- **Infrastructure and governance remain weak, notwithstanding recent reforms.** Key challenges lie in the lack of transparency and accountability in the management of public revenues, expenditures, and debt. For example, despite large government revenues (mainly from oil), government spending on education and health care are moderate relative to peers. Meanwhile, inefficient fuel subsidies absorb significant budgetary resources. Investment across critical services—social assistance, banking, health care, education, and basic infrastructure—is lacking. More broadly, there is a widespread perception of corruption across both the public and private sectors. Against this backdrop, major steps forward have been taken—such as publication of a comprehensive diagnostic report on governance and corruption in 2018, adoption and implementation of a new anti-corruption law in 2022, regular publication of Extractive Industries Transparency Initiative (EITI) reports, and on-going public financial and debt management reforms—many of which have been directly supported by the current Extended Credit Facility (ECF) arrangement.

- **Climate change is adding to these challenges[5].** Heavy reliance on rain-fed agriculture and poor quality and coverage of infrastructure— including a lack of basic infrastructure to support food security and trade, especially irrigation, storage facilities, and roads—have raised Congo's sensitivity to climate shocks. As a result, higher temperatures, rainfall anomalies, and increasingly frequent and intense flooding have been taking lives, damaging homes, and increasing the number of food insecure by hurting crop nutrient content, yields, livestock, fisheries, and land.

- **Political and security risks, though low, are rising.** Congo has not experienced any large-scale conflict since 1997 and there is currently no UN peacekeeping operation in the country. However, 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.

2. 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. The inability to channel these oil revenues towards economic diversification and poverty reduction has left the country very vulnerable to global oil price movements with large swings in real GDP growth and concurrent fiscal and current account imbalances. For example, Congo has experienced several years of negative growth during 2015–21, triggered by a sharp decline in oil prices in 2014. Moreover, after reaching the HIPC completion point in 2010, weak governance and large debts to oil traders pushed the public debt stock beyond sustainable levels, resulting in significant debt service pressures (relative to revenues) and sizeable arrears. Debt sustainability was only recently restored with substantial debt restructuring and improved prospects for oil prices. Inflation has largely been driven by fluctuations in international

[5] For a more detailed discussion on climate change adaptation and transition issues for the Republic of Congo, see IMF Country Report No. 21/226, October 2021

food prices, given Congo's dependence on imported food. Non-food inflation has largely been contained as Congo is a member of the Economic and Monetary Community of Central Africa (CEMAC).

B. Means to Escape and Possible Constraints to Reform Implementation

3. The transformation into a more equitable, resilient, and diversified economy will require deep institutional reforms and investment in overcoming capacity challenges (human, physical, technological) while maintaining macroeconomic stability.

- The authorities' National Development Plan (NDP) 2022–26, developed in close consultation with development partners, is centered around economic diversification and inclusion (especially job creation) while being aligned with Congo's climate resilience strategy—key components span reducing dependence on rain-fed agriculture, becoming a regional land and water transit hub, and expanding agro-processing, tourism, and the digital economy.[6] The strategy elaborates on sectoral development strategies in social sectors (health, education, and social protection), governance, as well as cross-cutting areas of focus on improving the business environment—all critical for economic diversification and increased private investment. Some examples include: (i) improving infrastructure across the country for transport, irrigation, flood protection, water and sanitation, and telecommunications to support resilience to climate shocks for farmers and small businesses while facilitating productivity growth in Congo's areas of strategic advantage (agriculture, food processing, forestry and wood products, and ICT) and other manufacturing and services (e.g., tourism, financial services); (ii) strengthening governance and transparency and raising external competitiveness combined with better access to finance, for instance by removing trade barriers, and improving contract enforcement, insolvency procedures, and investor protection; (iii) increasing the financing and the effectiveness of social spending. A healthier and more educated population will be more resilient to shocks and more productive, which will support non-oil industry growth. Continued expansion of targeted social assistance would help households cope with climate shocks, increase food security, and invest in more resilient housing and business infrastructure.

- Financing these reforms is very challenging. Given high debt levels and limited domestic financing, a substantial portion of the government's oil revenues are being used to repay external debt and domestic arrears. Ambitious fiscal consolidation (including domestic revenue mobilization and reduction of non-priority spending) and bold structural reforms (including in management of public finances and debt) during 2018–22 have created some fiscal space. Nevertheless, to reach the level of spending that would support the NDP 2022–26 (or a substantial part of it), significant development partner financing will be necessary while accelerating governance and structural reforms.

- The pace of reforms will depend on capacity, in addition to financing. The pool of capable individuals in key institutions needs to be widened—both by increasing education levels and making best use of existing well-qualified individuals, including empowering them.

[6] The NDP also serves as Congo's Poverty Reduction and Growth Strategy.

The bureaucratic reluctance to forge ahead in the adoption of new technologies and better statistical coverage needs to be overcome. Here, both appointment of capable individuals and outreach will be critical.

C. Fund engagement: Priorities, Strategic Partnerships, and Risks

4. The on-going ECF arrangement is supporting macroeconomic stability, debt sustainability, and critical reforms in governance and management of debt and public finances as well as catalyzing financing from development partners. Targeted capacity development, in coordination with development partners, is playing a central role in advancing reforms.

- The current ECF arrangement (200 percent of quota, SDR 324.0 million, approved in January 2022) is on-track, having completed two reviews as of early-2023.[7] The arrangement is designed to meet immediate and protracted balance of payments needs associated with (i) maintaining macroeconomic stability during a fragile recovery from the pandemic and the crisis related to Russia's invasion of Ukraine and (ii) the authorities' medium-term economic reform program (based on the NDP 2022-26 described above) which seeks to place Congo onto a path of higher, more resilient, and inclusive growth. The arrangement is also supported by regional CEMAC efforts to maintain an appropriate monetary policy stance and promote financial sector stability; and contributes to the CEMAC's regional stability efforts by accumulating a substantial portion of the region's projected NFA during 2022–24.

- The arrangement has also been successful in catalyzing development partner financing. In particular, the budget support from France, the World Bank, and the AfDB (mentioned above) came after long gaps in this type of financing for Congo due to development partners' concerns over fiscal and debt management as well as governance.

- Capacity development is a central part of the Fund's engagement with Congo. Congo lacks capacity to provide certain data and is a medium-intensity user of Fund technical assistance (TA) with a mixed implementation record. The current intensity of TA reflects the need to strengthen economic institutions, improve transparency and help develop capacity for economic management.[8] Key capacity development areas, where the Fund is providing support and that are closely aligned with the authorities' policy objectives, have been and continue to be focused on (i) tax policy and administration, (ii) PFM, including accounting and investment management (with a climate change focus), cash management, government finance statistics, and debt management; (iii) national accounts, and external sector, and (iv) the anti-corruption framework, which is connected to the AML/CFT regime and to other reform areas that are relevant to governance and transparency.

5. The Fund coordinates closely with development partners and there is scope for further strategic partnerships.

[7] The first review was concluded in June 2022 and the second review in February 2023.

[8] For FY20, Congo received 15 missions (10 from AFRITAC Center (AFC), and 5 from HQ, of which 1 from FAD and 4 from STA. For FY21, Congo received 24 missions (13 from AFC, and 11 from HQ (9 from FAD, and 2 from STA).

- Congo's largest development partners are China, France, the World Bank, and the African Development Bank (AfDB). These partners work together, largely focusing their support on economic diversification and improvements to the business environment, health care, education, and social protection. The United Nations agencies, USAID, and the Development Bank of the Central African States (BDEAC) are also active in the country.

- In addition to collaborating on debt sustainability analysis, Fund staff are in regular contact with WB staff to ensure consistency and complementarity in capacity development support (particularly in debt and public financial management, social assistance, and statistics) and policy advice (including under financial arrangements provided by both institutions). Fund staff also coordinate capacity development and develop program conditionality in close consultation with the AfDB, France, and other development partners. As the Fund steps up its engagement in climate issues, there may be scope for strategic partnerships with the Global Center for Adaptation (GCA), the AfDB, and the World Bank in catalyzing private climate finance for both adaptation and expansion of the Congo Basin Forest.

- The presence of the Resident Representative (Res Rep) plays a key role to ensure the pursuit of policies and reforms; help the authorities focus on program implementation and strengthen ownership of reform; contribute to enhancing inter-ministerial coordination and raise awareness and support among the broader public regarding the Fund's program objectives. Key IMF staff objectives are to strengthen its partnerships with the private sector and civil society organizations through the support of the Res Rep office with regular meetings to receive on the ground information on economic activity and governance-related issues. The team will also use this platform to inform these stakeholders about the progress of the country under the program and receive views on government implemented policies. Another staff objective is to increase collaboration with other UN agencies to leverage on their expertise, to propose relevant policies and address emerging risks. Two concrete applications of this strategy have been discussions with the FAO in the 2nd review mission to help inform staff view on food security challenges; and frequent discussions with the World Bank to inform policy decision on SOEs management.

6. **A weakening in program ownership, capacity constraints and unfavorable external conditions are the main risks to Fund engagement.** Insufficient ownership and capacity constraint could undermine policy and reform implementation. External conditions could undermine macroeconomic stability and the appetite for reforms. Examples include adverse climate events that suppress food production and raise food import costs, resulting in increased food inflation and food insecurity; and volatile oil prices (associated with the global transition to low-carbon economies) that heighten the motivation of vested interests to capture oil revenues and, thus, oppose reforms supporting governance and economic diversification.

Annex II. Risk Assessment Matrix[1]

Risks	Likelihood	Impact if Realized	Policy Response
Conjunctural risks			
Intensification of regional conflict(s). Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.	High	High Negative spillovers could be manifold, affecting inflation, investment, trade, and economic growth and overall, they may exacerbate debt sustainability pressures. Security issues in the Central African region could result in fiscal pressures.	Continue fiscal and structural reforms to reduce external imbalances and build buffers, enhance competitiveness, and deepen regional integration.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	Medium	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 as they weigh negatively on the domestic economic cycle. Conversely, lower oil prices and oil revenues would increase fiscal and external vulnerabilities and spillover to non-oil economic activity.	Employ high oil revenues: (i) to build up fiscal buffers and proceed with structural reforms aimed at diversifying the economy, enhancing competitiveness, and deepening regional integration; and (ii) continue with reform measures that reduce Congo's vulnerabilities and attract investments to the country. Accelerate mobilization of non-oil revenues and further streamline non-priority spending.

[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
		Continued food price pressures could add to domestic inflation and intensify food insecurity.	Bolster social assistance programs to help the most vulnerable cope with food inflation.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and markets fragmentation.	Medium	High 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.
Monetary policy miscalibration. Amid high economic uncertainty and volatility, major central banks slow monetary policy tightening or pivot to loosen monetary policy stance prematurely, de-anchoring inflation expectations and triggering a wage-price spiral in tight labor markets.	Medium	Medium Any spill-over to the regional currency union could result in downward pressure on local interest rates. Upward pressure on the dollar, would weaken the CFA franc and potentially reduces the attractiveness of investing in Congo.	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.
		Structural risks	
Deepening geo-economic fragmentation. Broader and deeper conflict(s) and weakened international cooperation lead to a more rapid reconfiguration of trade and FDI, supply disruptions, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial	High	Medium Limited movement of food, basic goods, and refined fuels across countries may cause shortages and price increases in Congo. Reduced 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. Improve efficiency of custom administration.

Risks	Likelihood	Impact if Realized	Policy Response
systems, and lower potential growth.			
		Country-specific risks	
Social discontent and political instability. Supply shocks, high inflation, real wage drops, and spillovers from crises in other countries worsen inequality, trigger social unrest, and give rise to fiscal pressures. This exacerbates imbalances, slows growth, and hinders economic diversification. Growing political polarization and instability weaken policymaking, confidence, and reform progress.	**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. Implement SOE and governance reforms.

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.
Higher frequency and severity of natural disasters related to climate change, which 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. Engage in prevention, preservation, and catastrophe contingency planning.

Appendix I. Letter of Intent

June 24, 2023

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

Madam Managing Director:

1. The Government of the Republic of Congo continues with the implementation of its economic and financial program supported by a three-year arrangement under the International Monetary Fund's Extended Credit Facility (ECF) that facilitates our efforts to enable our country to meet its balance of payments needs, help rebuild the regional foreign exchange reserves, and restore conditions for more vigorous economic growth. Our economic and financial program continues to advance, following the guidance of the National Development Plan (NDP) 2022–26 as well as the regional economic and financial reform program (PREF-CEMAC), as our country continues to face significant economic, security, and climate-related challenges.

2. As we continue to face high debt levels, our fiscal position has deteriorated, in part due to accelerating energy and food prices in a challenging global environment. Nevertheless, repayment of domestic arrears, increased social assistance spending targeted at the most vulnerable, and sustained investments in infrastructure help invigorate economic growth. The oil sector resumed recently to grow owing to a pick-up in oil production. Overall, however, the recovery remains fragile, with large uncertainties weighing on economic prospects and growing poverty that has been exacerbated by the pandemic and the rise in import prices, particularly those food and fuel items.

3. Against this backdrop, our country's performance under the three-year ECF arrangement has been mixed. Two of the five quantitative performance criteria were not met at end-December 2022 and one quantitative performance criteria was not met at end-March 2023.[1]
The performance criteria on the basic non-oil primary balance and on net domestic financing of the central government were missed for end-2022 mainly due to increased oil-related transfers and the spending of oil revenues instead of using these for the build-up of buffers

[1] The end-December 2022 breach of the quantitative performic criterion for the non-accumulation of new external arrears was already addressed by a waiver of non-observance granted by the IMF's Executive Board in its meeting on February 6, 2023, and hence is no longer subject of the Third Review of the ECF program.

held in form of deposits at BEAC. Strong corrective measures are taken. The measures include a fiscal tightening of the 2023 budget, implemented through additional retail price increases for gasoline fuel by early July 2023 (prior action), subsequent price increases for diesel fuel, and a respective reduction of oil-related transfers that is accompanied by stepped up social assistance. In addition, dividend payments by the Société Nationale des Pétroles du Congo (SNPC) are in 2023 expected to amount to at least CFAF 10 billion (0.2 percent of non-oil GDP), VAT and customs duty exemptions received by SNPC are eliminated, CORAF is now required to charge VAT on its sales and non-oil tax compliance will be improved through preventive actions and sanctions. The criterion on the non-accumulation of new external arrears was missed at end-March 2023 due to a two-month delay in payment of debt service to a bilateral creditor caused by internal communication issues. We commit to address this by having charged a dedicated task force with warranting in future timely payment of all debt service due. We have met all indicative targets for end-December 2022 except for the minimal thresholds for non-oil revenues and social spending, as tax collection in 2022 remained below expectations and higher fuel subsidies crowded out social spending.

4. Progress in structural reforms continues, albeit with some delay: one out of three structural benchmarks due in December 2022 and one out of two due in March 2023 have been met. Concerning the benchmarks missed at end-December 2022, the entry distribution prices (EDP) pricing formula was updated in time but failed to explicitly account for improvements in CORAF's operating efficiency over the past three years. An inventory of tax arrears was prepared but the respective benchmark was not met on account of difficulties in fully establishing credible recovery probabilities. The benchmark on cadasters, due in March 2023, was missed, as full-fledged public cadaster systems in forestry and mining are not yet in place, with the existing public registers missing some data and not being publicly accessible online.

5. The attached Memorandum of Economic and Financial Policies (MEFP), which supplements the one signed on December 14, 2022, describes the recent economic and financial situation, presents the economic and financial policies that the government intends to implement during 2023–24 and defines the quantitative criteria, indicative targets, and structural benchmarks through to end-June 2024. Disbursements under the arrangement will be subject to observance of the performance criteria, structural benchmarks, and prior actions shown in Tables 1, 2 and 3 of the attached MEFP.

6. We remain committed to closely coordinating our economic policies with those of the other CEMAC countries in the context of the regional economic and financial reform program (PREF-CEMAC). These reforms aim to create job opportunities and improve the living standards of a fast-growing population, including 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) improved transparency in public finances and in the oil and gas sectors, (iv) strengthened domestic revenue mobilization, (v) strengthened governance and (vi) reforms that promote development of the private sector.

7. The government will continue policies compatible with regional external stability, which requires the rebuilding of BEAC's foreign exchange reserves. In this context, the government supports the efforts of BEAC and COBAC to strictly apply the new foreign exchange regulations. To achieve foreign exchange reserve objectives, the government will ensure compliance with the requirement to repatriate export proceeds, particularly for oil.

8. Bearing in mind the program achievements to date and the commitments set out in the MEFP as well as the agreed prior actions, we are requesting (i) waivers of non-observance for the end-December 2022 quantitative performance criteria on the basic non-oil primary fiscal balance and net domestic financing of the central government and the end-March 2023 performance criteria on the non-accumulation of new external arrears; (ii) the modification of the quantitative criteria on the basic non-oil primary fiscal balance and net domestic central government financing for end-June 2023; and (iii) completion of the financing assurances review and the third review and a disbursement equivalent to SDR 32.4 million (or 20 percent of our quota). This disbursement will enable us to respond to our immediate and protracted balance of payments needs and support our reform agenda. This 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.

9. The Government believes that the policies set forth in the attached Memorandum of Economic and Financial Policies (MEFP) are adequate to achieve the objectives of its program, but it will take any further measures that may become appropriate for this purpose. Republic of Congo will consult with the Fund on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultation. 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 review is approved by the IMF Executive Board.

/s/

Jean-Baptiste Ondaye
Minister of Finance and Economy
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 2023–25 and the medium term, the program objectives, and the policies and measures to achieve them.

I. BACKGROUND, RECENT ECONOMIC TRENDS, AND OUTLOOK

1. Economic recovery continues despite a challenging economic environment.

- The preliminary estimate for economic growth stood at 1.7 percent in 2022 (an increase in comparison to 1.1 percent in 2021). This growth was led by the non-oil sector (3.3 percent), with consumption and investment benefitting from government spending and more dynamic activity in the agricultural, manufacturing and services sectors. The oil sector continued to contract, with production disrupted by technical outages and shortage of equipment. The rise in the oil price, however, more than offset the production decline, thus leading to a nominal increase in oil GDP and budget revenues for the government.

- Despite rising import prices, inflation remains contained to 3 percent on average in 2022, with a 6.2 percent increase in food prices, in a context marked by monetary policy tightening and price administration for key staples like transport services.

- The current account surplus reached 19.4 percent of GDP in 2022, buoyed by the rise in oil prices. This upturn made it possible to finance the substantial debt service payments this year, involving debt service in reference to regional commercial banks, the G20 DSSI creditors (which began in June), the bilateral creditors, and the two largest external commercial creditors.

- The banking system remains relatively sound. Non-performing loans (NPLs) remained broadly stable in 2022, reflecting the positive impact linked to the continued domestic arrears' payments, outweighing the effects of the economic contraction brought on by the pandemic in 2020. The additional liquidity from domestic arrears' payment, combined with the expansion of commercial bank deposits, have supported a rise in private sector credit.

- The fiscal position has deteriorated compared to the commitments we made for 2022 during the second review of the ECF arrangement (IMF Country Report 23/89). Between the two reviews, the non-oil primary deficit, the projected path of which anchors debt sustainability in the IMF agreement, has widened by an additional 0.8 percent of non-oil GDP for 2022, thus adding to the deterioration registered earlier in 2022 due to (i) new fuel subsidies introduced in mid-2022, and (ii) the unexpected increase in expenditure on security and to address the repercussions of the floods that the country experienced towards the end of the year. As part of our commitment to fiscal consolidation, the SNPC paid CFAF 12 billion

(0.2 percent of non-oil GDP) in dividends to the 2022 budget, distributed between CFAF 3 billion paid in the month of May and CFAF 9 billion paid in the month of October. The Ministry of Finance is in the process of reconciling SNPC's dividend payments in past years in order to determine whether arrears exist or not. In case of the former the result of this reconciliation will be reflected as an adjustment in the audited accounts of SNPC. The 2022 fiscal position likewise benefited from a regularization of the tax situation of the oil companies in the amount of CFAF 9 billion. In the first four months of the year 2023, CFAF 5.5 billion have already been paid by the oil companies to regularize unpaid taxes for the 2020-22 period.

2. Economic growth should strengthen in 2023. Real GDP growth is expected to rise to 4.0 percent in 2023, buoyed by a recovery in oil production and a strengthening of non-oil activity. In particular, agriculture, mining, manufacturing, and services will be supported by increased social spending (health care, education, infrastructure), domestic arrears payments, and reforms in governance, the financial sector, and the business environment. Average inflation is projected at 3.5 percent in 2023, reflecting the deregulation of fuel prices, the rise in electricity prices following the change in the billing process, and maintenance of the prices of inputs at a high level. Lower oil prices will weigh on oil exports, while increased public and private investment is expected to raise the import bill. Nevertheless, the current account balance will remain positive in 2023 and will help not only to finance debt service on a larger scale (as G20 DSSI debt service takes up), but also to build up international reserve buffers.

3. Medium term growth is projected to average 4 percent of GDP, supported by the implementation of structural reforms envisaged in our National Development Plan. Thanks to the diversification of the economy, non-oil economic growth is expected to settle on average at 4.5 percent over 2024-2028, driven by improvements in food production, irrigation, and transport infrastructure, as well as increased social spending (in health and education) and reforms in governance, the financial sector, and the business environment. The strength in the non-oil economy will offset the declining contribution of oil production, which is projected to decrease slightly after peaking in 2024, due to the maturation of the main oil fields. The fiscal situation is anticipated to improve, owing to better domestic revenue mobilization, higher dividend payments made on a timely basis by SOEs (including SNPC), increased oil-related VAT and customs duties payments and collection, and the phasing out of fuel subsidies (supported by the deregulation of fuel prices, with the exception of those for kerosene and butane gas). This will free up fiscal space for the increases in targeted social welfare and continued 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 2025. These pressures will likely be mitigated by a decline in external debt service and a gradual rise in non-oil exports, foreign direct investment, and development partners' projects, as we progress in implementing our economic diversification strategy. Average medium-term inflation is expected to remain close to 3 percent (consistent with CEMAC inflation targets).

4. Risks are tilted to the downside. They relate mainly to: (i) the escalation of conflicts around the globe (including in Central Africa); (ii) the volatility in oil prices, against the background of the global transition to low-carbon economies, which could weigh heavily on oil production and revenues, thus jeopardizing external and fiscal balances; (iii) a tightening of external financing conditions, which could curb investments; (iv) continued fuel price subsidies that could affect private investment decisions as well as economic diversification; and (v) worsening climatic conditions that could weigh on agricultural production, exacerbate food insecurity, and increase inflationary pressures. On the other hand, rapid reform implementation could boost development partner support and thus diversify economic growth. Rising fertilizer and metal prices could increase mining investments (with Congo having a globally significant potash basin), and new low-cost oil and gas fields could be discovered. Preservation and reforestation of the part of the Congo Basin belonging to the Republic of Congo's may facilitate foreign private financing such as environmental, social, and governance (ESG) bonds or carbon credits.

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 allow Congo to exit from fragility. The crises observed in recent years have depressed incomes and exacerbated poverty. We are also facing further challenges linked to the immediate consequences of the war in Ukraine, the repercussions of the conflicts in the central African region, more frequent and intense climate change shocks, and reduced long-term global oil demand. 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 program under the ECF continues to be built on: (i) reinforcing the economy's resilience in the face of adverse shocks, thanks to 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) concessional external finance; (iii) strengthening public investment and debt management which, combined with fiscal consolidation and arrears payments, will reduce debt vulnerability; and (iv) effective implementation of governance, transparency, and supply-side structural reforms, so as to promote 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

Fiscal policy is aimed at preserving debt sustainability while facilitating essential spending linked to reducing poverty and boosting economic diversification, resilience, and growth.

7. The medium-term fiscal stance will remain anchored in gradual consolidation of the non-oil primary balance by 10 percentage points of non-oil GDP, which is to say, 6.5 percentage points of

GDP) between 2022 and 2028. Oil revenues are anticipated to sustain surpluses in the overall primary balance that will enable repayment of both external debt and domestic arrears. The public debt-to-GDP ratio is expected to gradually decline from 98 percent in 2023 to 72.3 percent by 2028. Risks emanate from volatile oil prices and the availability of financing from Congolese financial markets. Price contingent debt service to the two largest external commercial creditors, however, mitigates the risk of negative oil price shocks.

8. **Repayment continues of maturities on the ongoing external debt.** Since the conclusion of the second review of the ECF arrangement (IMF Country Report 23/89) technical arrears of EUR 4.5 million were temporarily accumulated. In addition, $2.5 million in arrears owed to a bilateral partner were accumulated for more than 30 days, implying the need for corrective actions. These arrears were paid as soon as reported. We are deploying resources to improve our internal communications, so as to avoid a recurrence of these arrears. To this end, the task force created in March 2023 which includes the Office of the Minister of Finance, the CCA, the central bank, and the Treasury, aims at improving communication and timely payments. The reorganization of the CCA currently under way (¶20) will also help to that end. In addition, we have cleared arrears to all but one commercial supplier and are engaged in the resolution of the arrears owed to the last remaining commercial provider. We have also had an agreement with the last bilateral creditor to whom we had arrears, and payment of this debt has begun. The government is committed to avoiding any accumulation of additional domestic or external arrears. In addition, we envisage: (i) setting up a dedicated sub-account within the Treasury Single Account (TSA) at BEAC and discussing with development partners (AfDB, France, and World Bank) ways to ensure their disbursements are carried out within the time limits set; and (ii) ensuring that spending is undertaken in accordance with the rules governing sound public financial management, with a view to stopping the practice of off-budget procurement (¶14). 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 removing all uncertainties concerning the level of our public debt.

9. **Additional efforts are required in addition to the strong fiscal consolidation envisaged in our 2023 budget, while prioritizing social and growth-driving capital spending.** The 2022 budget overrun (¶1) as well as part of the shortfall in oil revenues compared to our 2023 budget will be offset in 2023. The non-oil primary balance target is -11.8 percent of non-oil GDP, a decrease as compared to the -12.8 percent of non-oil GDP initially envisaged in the budget. Consistent with the latter, our revised target for the non-oil primary balance rests on the principle of mobilizing revenues and rationalizing non-priority spending by means of the following measures:

- Phasing out of the fuel subsidies introduced in 2022. Total oil-related transfers (including to SNPC, CORAF, and CEC, and subsidies for public transportation, kerosene, and butane gas) will be limited to CFAF 154 billion or less in 2023; and those to SNPC will be eliminated entirely by 2024. This phasing out of fuel subsidies will be in line with the deregulation of fuel prices (discussed in the next bullet).

- The gradual increase in retail and entry distribution prices (EDP) for fuel during 2023–24—accompanied by a clear communication strategy—and updating of the EDP pricing formula to take account of improvements in CORAF's operating efficiency since 2016 (missed structural benchmark for end-December 2022). The performance contract between the government and CORAF granted an adjustment coefficient of 25 percent in 2008, which was to decline regularly. A first amendment of this performance contract readjusted this coefficient to 15 percent, while a second amendment brought the coefficient to 10 percent at end-2017. In practice, transfers to CORAF result from the consultations between the latter and the ministries concerned, such that the amounts granted correspond to an implicit coefficient that may vary, which to a certain extent takes the efficiency gain into account. On the basis of past transfers made to CORAF, we undertake to establish this coefficient explicitly and compare it to the contractual obligations, in order to make corrections, if necessary, sticking in the latter case to the strict application of the 10 percent as specified in the second amendment. Transfers and the EDP will be adjusted accordingly.

- In the context of the reform of subsidies to fuels, we increased gasoline fuel prices by 25 percent compared to current prices, while aligning the prices for fuels paid by all manufacturers to at least those charged at the pump (prior action).[1] With this increase, we make progress on implementing the 30 percent increase foreseen by the second ECF review (CR 23/89). To fully deliver on our commitment to increase fuel prices by 30 percent in 2023, the adjustment in gasoline prices will be followed by the remaining 25 percent price increase for diesel to be fully implemented by end-October 2023. The delay in the increase of diesel fuel prices, which will have a stronger impact on more vulnerable households, will allow for the preparation of mitigation measures (mainly the improvement of the urban transport service and support for the Lisungi and Telema Projects) and a communication strategy adequate to promote the acceptance of respective reforms. Retail fuel and EDP price hikes will be followed by additional increases looking to fully reflect international prices by end-2024.

    - The impact on poorer households is expected to be contained, in the light of the gradual character of the reform and of the maintenance of the subsidies for public transportation, kerosene, and butane gas, improvement in the road network, and an expansion in targeted social assistance, especially in monetary transfers (¶10). For example, the resources allocated to social transfers have been increased compared to the initial 2023 budget. In particular, we are committed to increase the resources allocated to the monetary transfer programs (Lisungi and Telema projects) by 15 percent compared to the 2022 budget (SB, end-July 2023), to increase coverage and payment for beneficiary households.

- Prudent execution of spending on goods and services, and prioritization of capital spending identified as critical in the National Development Plan.

[1] We are committed to not granting subsidies on petroleum products to productive sectors, thus creating price differentials with those at the pump. We will ensure that certain sectors likewise institute the market price, as with aviation kerosene.

- Maintaining revenue-improving measures adopted over the past three years, such as: electronic payments; broadening of the tax base (including application of the recently completed enterprise survey and expansion of the land tax base following the conclusion of the land survey in 2022); phasing out of exemptions from corporate taxes in case that investment agreements are violated; reducing customs exemption rates for certain beneficiaries and eliminating exemptions for others; increasing excise taxes in line with CEMAC guidelines; prohibiting tax incentives in forestry; and increasing collection of tax and customs duties arrears.

    - The collection of tax arrears will be achieved by use of the inventory of all tax arrears and their probability of recovery. This structural benchmark was not met for end-December 2022, on account of the absence of any realistic probability of recovery. The committee undertaking this task also prepared a recovery strategy. Part of this strategy is a "tax amnesty" program that is already being implemented. This program forgives part of a taxpayer's existing tax arrears, in exchange for payment of the rest in 2023–24. Since mid-May 2022, the program envisages 30 percent relief on the principal amount and 80 percent relief on the penalties, in exchange for payment within six months. In 2023, the recovery of tax arrears is anticipated to reach CFAF 3 billion.

    - Putting in place effective procedures for monitoring tax arrears and for their systematic collection. By exploiting the benefits of digitalization on tax administration, we expect to reduce delays in tax payments.

- Maintaining reduced VAT rates and customs duties on essential food imports to help the population cope with the high level of food inflation. Similarly, the 2021 reductions in turnover tax and corporate tax will be maintained, to help businesses whose margins are being eroded by high import costs (notwithstanding some decline in international fuel prices and transport costs).

- Recent conclusion of negotiations with oil producers on tax concessions are projected to yield additional revenue gains of CFAF 3 billion.

- The SNPC is engaged in paying dividends of at least CFAF 10 billion in respect of income from budgetary year 2022, the accounts of which are to be approved by June 30, 2023.

- Elimination of VAT and customs duty exemptions for SNPC (projected to yield CFAF 11 billion) and the charging by CORAF of VAT on its sales (projected to yield CFAF 12 billion) are in effect. In this regard, SNPC has paid CFAF 3.1 billion at end-March 2023. CORAF, being on shutdown during this period, has not collected VAT. Reconciliation work is underway to determine any sums due with a view to their regularization.

- The ongoing increase in social and development spending, especially the areas of health, sanitation, education, and agriculture.

- Implementation of the next stages of reforms adopted in 2019 that reduce transfers to SOEs, especially CORAF and CEC.

- Containment of the wage bill by ceasing to automatically replace retired staff (except those in the health, education, and social policy ministries), and restraint in public sector hiring. This will be done taking into account the recent increase in the retirement age (varying by staff category), which will put upward pressure on the wage bill.

- Announcement of a multi-year domestic arrears payment plan.

- One part of oil revenues net of external debt service expected for 2023 will finance the budget, but the bulk will be used to retire debt and arrears as well as to establish reserves in the form of deposits at BEAC.

- We will actively monitor fiscal risks, especially from spending overruns, revenue shortfalls, or underproduction of oil. Should these risks materialize, contingency measures include streamlining non-essential spending and slowing capital spending and domestic arrears payments (which have been backloaded in the 2023 budget for this purpose).

- To reach this revised target for the non-oil primary balance, a presidential decree was issued at end-May 2023 to communicate the new budgetary expenditure ceilings to all the public services.

10. Our government is committed to increasing spending on health, education, social assistance, and resilient infrastructure. The 2023 budget continues to focus on improving the quality and coverage of this spending, while encouraging innovation.

- In education, we continue to focus on all levels of the school system, but we are providing free school supplies, textbooks, and school meals only for primary school. We are continuing to expand the number of educational facilities. Education spending of CFAF 144 billion (2.2 percent of non-oil GDP) is expected in 2023, an improvement compared to 2022.

- As regards social protection, we are expanding disbursement to CFAF 76 billion (1.1 percent of non-oil GDP) in 2023, as against CFAF 21.9 billion (0.4 percent of non-oil GDP) in 2022. This includes the emergency cash transfer program related to the pandemic, where the amount provided to each household was raised to support households facing secondary effects from the gradual elimination of subsidies on fuel prices and still high food prices. The program's coverage will be increased from 280,000 beneficiaries at end-2022 to 350,000 by end-2023. We will also continue to expand the Single Social Register (SSR), which already has 835,000 beneficiaries. The anchoring of social programs and other social assistance structures to SSR has become mandatory to improve the targeting and impact of these programs. The successful piloting of mobile payments is being expanded. In 2023, we expect to complete repayment of any remaining social sector arrears (particularly pensions).

- In 2023, thanks to the new coverage areas of the Lisungi Project, we foresee extending the data of the SSR so as to reach 900,000 registered households. Within the framework of expansion of the SSR, we expect to reach experimental interoperability with the systems reporting personal identification and marital status. In 2023 we foresee in the Lisungi Project targeting 45,000 young people who are to benefit from production subsidies and start-up grants. We likewise foresee targeting 20,000 beneficiary households for conditional cash transfers and income-generating activities. Within the framework of the National Social Safety Net Program, we launched in 2023 the targeting of 65,000 households to be incorporated by 2025.

- Capital spending is expected to increase to CFAF 436 billion (6.6 percent of non-oil GDP) in 2023, partly financed by the development partners. Priority development projects are aligned with the new National Development Plan 2022–26. The sectors of agriculture (including agroforestry), roads, electricity, health, education, access to drinking water, sanitation, and transportation are being prioritized. In addition, efforts to build a solid foundation for the structural transformation of our economy will lead to continuation of the programs to promote tourism, industry, the digital economy, and special economic zones.

11. We continue to make good progress in repaying domestic arrears, maintaining the objective of their full repayment by 2031. The outstanding amount of domestic arrears, which includes all audited arrears up to 2018 and part of the audited arrears for 2019–20, is estimated at CFAF 1,450 billion (17 percent of GDP) at end-2022. We repaid CFAF 431 billion (5 percent of GDP) in 2022. Depending on the availability of financing, our objective is to settle CFAF 110 billion (1.3 percent of GDP) of domestic arrears in 2023. Having said that, our efforts are compromised by the results of ongoing audits. A re-examination of arrears that had been rejected by a previous audit has uncovered a social debt of 360 billion (around 4 percent of GDP) to be added to the 2023 stock. The audit of the remainder of the 2019–20 arrears— envisaged to be finalized in the first half of 2023—could reveal an additional commercial debt of 115 billion (1.3 percent of GDP), to which the debt for 2021 (114 billion), 2022 (11 billion), and potentially the arrears rejected by previous audits (66.7 billion) could be added. In the future, we intend to repay all of these debts, by putting in place a new repayment strategy. This will involve prioritizing: (i) the payment of commercial debt for which there is an agreement, subject to no haircut; (ii) the payment of social arrears, subject to no haircut; and (iii) the payment of domestic commercial arrears, where a haircut of 30 percent will be applied. An initial version of the strategy for the repayment of the remaining arrears has been developed. Our plan is to repay social arrears in full in seven years, and to have commercial arrears repaid within six years, while applying haircuts.

12. Over the medium term, we envisage continuing to pursue the fiscal strategy outlined above. Specifically, we envisage reducing the non-oil primary fiscal deficit from 15.7 to 5.5 percent of non-oil GDP over the 2022–28 period. In support of this objective and while also increasing social and capital spending over the 2022–24 period, we will undertake the following measures to enhance revenues and reduce non-priority spending (in addition to continuing the measures applied in the 2023 budget):

- Improve administration of hydrocarbon-related VAT and eliminate the respective VAT exemptions. To this end, a comprehensive stock-taking of the administration of hydrocarbon-related VAT (including exemptions) is in the process of being finalized (SB end-June 2023), and the enactment or adoption of the related tax laws (into a single legislation) should be completed by end-December 2023 (SB). This process will also include stock-taking of the currently levied VAT on petroleum products and the ensuring of its payment in full to the government. The efficiency of administration of VAT on fuels will also be improved, including through application of the standard credit-invoice method (based on revision of the relevant decrees by 2025).

- Align domestic fuel prices with international prices by end-2024. Once that is done, we will apply an automatic pricing mechanism, where we will seek technical assistance from the IMF and World Bank to ensure that the mechanism includes a smoothing component, to prevent sharp adjustments.

- Develop an action plan for streamlining non-hydrocarbon tax exemptions. Previous IMF TA estimated that VAT exemptions cost the budget at least 1 percent of non-oil GDP, and other tax exemptions cost at least 3 percent of non-oil GDP. The action plan should cover the analysis, publication, and budget implications of all tax exemptions (end-2023).

- Strengthen the control and monitoring of exemptions, in particular by developing an annual risk-based audit, continuing to upgrade customs procedures, and implementing a tailored digital transformation plan.

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

- Continue increasing excise duties: on tobacco from 17.5 percent in 2022 to 22.5 percent in 2023 and 30 percent by the end of 2026; on alcoholic beverages from 12.5 percent in 2022 to 17.5 percent in 2023 and 25 percent by the year 2026; and on vehicles from 12.5 percent in 2021 to 15 percent in 2023. Excise duties on luxury items remain constant at 25 percent, in line with CEMAC guidelines.

- Reforms to SOEs will be prioritized, especially for CORAF and CEC, with a view to (i) substantially reducing the transfers and subsidies that they receive and (ii) augmenting the transparency of SOEs operations. We will study the production costs of CORAF and CEC and an action plan will be put in place for raising their efficiency and ensuring that the electricity billing process and coverage reflect actual electricity consumption.

- By end-2023, we will complete the on-going expanded analysis of the financial status of decentralized government units (mainly local governments) and all public enterprises —

including public banks (where the state is the majority shareholder)—to better understand medium-term budget risks, identify vulnerabilities, and facilitate monitoring.

B. Public Investment and Debt Management

13. The government is committed to improving public investment management, which is fundamental to improving the efficiency and effectiveness of public spending. To this end, the budgeting of public investments in line with commitment authorization and payment credit will be formally introduced and extended to all ministries—such that its full implementation will be aligned with implementation of program-based budgeting, targeted to begin in 2024 with seven pilot ministries. To rationalize budget allocations, projects without completed feasibility studies at end-2022, have not been included in the 2023 budget.

14. We will only procure for projects that are in the budget. To this end, we developed a comprehensive template for consolidated and sectoral public procurement plans, where we worked 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 has been rolled out to pilot ministries and agencies (including the Ministries of Education and Health) in the third quarter of 2022 and the populated template was mapped to the 2023 budget (for the pilot ministries) at the end of 2022 (structural benchmark). The budget law for 2023 explicitly states that procurement cannot take place outside the template for the pilot ministries, except for emergency items that are approved by the Minister of Finance before the procurement is initiated. To further improve procurement practices, we plan to operationalize the "public procurement management unit" in each ministry, to include the person responsible for procurement, the "permanent secretariat," and the "procurement committee." With support from the World Bank, Decree No. 2022-1854 of 10-02-2022 was published, modifying and supplementing Decree No. 2009–161 of 05-20-2009 on the organization and operation of the public procurement management unit.

15. Current project planning methods will be updated and systematized. With the support of IMF technical assistance (public investment management assessment), we will develop a medium-term public investment plan that will prioritize projects based on considerations such as the National Development Plan 2022–26, the need for economic diversification, international commitments—such as the SDGs, the African Union's Agenda 2063, and CEMAC's regional economic program—and cost-benefit analysis. Training will continue to be provided to our staff to develop their capacity to prepare and implement the medium-term investment plan.

16. We will improve the effectiveness of public investment implementation, especially given large infrastructure spending needs. Here, among other efforts, we will review the World Bank-supported survey on the effectiveness of past investment projects (those launched since 2014), which was finalized at end-2022. Based on this review, by end-September 2023, we will draw up an action plan to improve the effectiveness of public investment, including facilitating project implementation early in the financial year.

17. 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—with the exception of the extended maturity loans from the World Bank (IBRD) and all budget support loans identified under the program—and the government will seek refinancing in regional and national markets on the previously issued securities and to cover short-term liquidity needs. Neither the central government nor parties acting on its behalf 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 budget consolidation efforts, should further debt or contingent liabilities materialize.

18. In July 2022, we prepared a comprehensive debt management strategy for 2023-25. This strategy has been developed with the technical assistance of the IMF, has been published, and is being implemented. Its objective is to (i) finance the needs of the government at the lowest possible cost, keeping borrowing risks at acceptable levels, including prioritizing euro-denominated and longer maturity loans that are concessional; and (ii) contribute to development of the domestic and regional market for government securities.

19. To strengthen the credibility of the debt management strategy and improve coordination between debt managers and budget authorities, the new medium-term debt management strategy is being translated every year into an annual borrowing plan as an annex to the budget law (as required by the regulation), beginning with the 2022 budget law. The borrowing plan includes details (nominal borrowing amount on cash basis and maturities) on planned issuance of government securities, planned disbursement amount for each project loan, and the estimated amount of budget support.

20. To improve its accountability and effectiveness and to overcome bottlenecks, the *Caisse Congolaise d'Amortissement* (CCA) is being reorganized. The process (developed with the support of IMF TA) should be complete by end-2023. The key steps completed at end-March 2023 include sending the draft law and the draft decree (the organizational structure of the CCA, the clarification on the coordination with the Treasury Department) to the General Secretariat of the Government. Later steps include appointment of staff to each division and adoption of a new procedures' manual by end-March 2024. Additionally, starting in March 2023, we began implementing a training program with technical assistance from the IMF and World Bank to strengthen staff capacity. These improvements will be crucial in strengthening debt management operations (including issuances of public securities), debt monitoring, transparency, and accountability. We are committed to ensuring better sharing of information across the CCA, the Treasury, and the BEAC.

21. We have made good progress in improving debt monitoring and transparency:

- We are publishing monthly debt statistics on central government debt on the Ministry of Economy and Finance website. For SOEs, a ministerial order was issued at end-November 2021, instructing the 10 largest SOEs to provide data on their guaranteed and unguaranteed debt to the CCA, in December and June of each year. A first round of information was published in March 2022 on the Ministry of Finance's website, and we are currently working with IMF and World Bank TA to refine this information and get more details on the composition of SOEs' debt. This will require updating the ministerial order and the SOE reporting template to include more details on the information that should be provided by the SOEs to the CCA.

- We have already published a comprehensive annual report on 2021 (structural benchmark) public debt. Among other information, this report includes further details on the guaranteed and unguaranteed debt of the 10 largest SOEs. Following this structure, by end-December 2023, we expect to publish the 2022 annual public debt report. Separately, we will (i) improve the recording of debt data and (ii) publish on a quarterly basis a report presenting data on the outstanding stock of public debt and the respective flows of financing and services, which will include composition by creditor (current, in arrears, contingent debt), currency denomination, maturity, interest rate structure, and debt service projections (structural benchmark, March 2024). We will also publish annual projections of domestic and external debt, both guaranteed and not guaranteed, of the central government, SOEs, public institutions, and local authorities.

C. Safeguarding and Improving Use of Energy Resources

22. We expect to continue substantive energy sector reforms that are critical for improving governance, reducing contingent liabilities of energy sector SOEs, mobilizing revenues, and rationalizing spending. This includes the phasing out of fuel subsidies in 2023–24 and the accompanying measures set out in ¶s 9 and 12, which will (i) support increased revenues while protecting vulnerable persons; and (ii) improve governance of SOEs such as SNPC, CORAF, and CEC. We will also publish the audit reports of these two companies for year n, prior to the end of year n+1. In this context, we will continue to enforce: (i) the effective implementation of the performance contract with CORAF, focusing on efforts looking to reduce operating costs and to undertake only prudent investments; (ii) the payment by CORAF for the crude oil made available to it by the government, into the Treasury Single Account (TSA); (iii) the sale by CORAF of petroleum products directly to the distribution companies; (iv) the recovery of revenues from CORAF's sales of petroleum products to distributors; and (v) a quarterly review of the parameters for controlling the pricing mechanism for refined petrol products, that is aligned with fuel price deregulation plans, to be conducted by the ministries responsible for finance, trade, and hydrocarbons. Along these lines, payment of the subsidy to CEC will continue to be based on a quarterly reporting of expenditures to justify the subsidy and CEC's turnover, including claims from the energy sector.

23. We are developing an action plan for the next phase of reforms aimed at reducing transfers and subsidies, especially to CORAF and CEC. Key elements will include: (i) improving the electricity billing process and coverage to reflect actual electricity consumption, with a view to recovering production costs (this part of the plan will be completed by mid-2024). Within this framework, at the beginning of the year the government modified the process for billing of electricity, replacing the old flat-rate pricing-based system with one based on actual consumption ; (ii) implementing an updated version of the 2005 regulatory framework based on fuel prices and the provision of sufficient social assistance to mitigate the impact on vulnerable groups (¶9, ¶10); and (iii) the obligation for CORAF to make full payment for the oil purchased from the government.

24. We are also taking additional actions to improve transparency and revenues in the oil sector. We have commissioned an internationally recognized audit company to produce reports reconciling oil flows that should accrue to the government. Specifically, the reconciliation is between the amount of oil that the government should receive based on production sharing agreements, and the value of oil revenues recorded in the budget. The government will continue to publish a table listing all natural resource concessions holders (including mining, forestry, and oil concessions) and will publish the oil flow reconciliation report on the government website. We will continue to undertake audits (conducted by internationally recognized audit companies) of the petroleum costs declared by the petroleum companies under their respective production-sharing agreements. If necessary, we may also request Fund technical assistance on best practices in natural resource management.

25. We will strengthen our institutional framework and our statistical apparatus, to take into account the emergence of new subsectors in the energy area. For example, Congo has a strong gas potential that is attracting large investments, and production should start in 2024. With the assistance of the World Bank, we intend to publish the regulatory framework (gas code) governing these operations prior to end-December 2023. Our goal is that this framework is as balanced as possible, preserving the resources of our country while allowing new projects in the sector to get return on investment. We will consult the World Bank and IMF staff if necessary. With regard to national statistics, our teams are working on integrating this new sector into our national accounts.

D. Public Financial Management and Governance Reforms

26. We will continue to implement reforms to improve public financial management and management of budget risks.

- The law on allocation, organization, and functioning of the Court of Accounts and Budgetary Discipline (CABD) as well as its implementing regulations were passed by the Law Commission and will be adopted by Parliament by December 2023. As a result, the CABD's capacity and independence will be strengthened.

- We are implementing the new medium-term strategy for Public Financial Management (PFM) reforms, which was developed with IMF technical assistance. The full respective three-year action plan—which includes a roadmap for future reforms, including a comprehensive timetable of actions and reforms—will be updated every 18 months.

- 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 application of the cash flow plan with the consolidated commitment plan and, as of this year, with the procurement plan, consistent with the overall template prepared with the assistance of the World Bank, for the seven pilot ministries. This committee, which includes representatives of the Ministry of the Economy and Finance, and the Ministry of Budget, 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, under the supervision of the General Budget Directorate, all ministries provide their procurement and commitment plans, thus improving reliability of the cash flow plan.

- We will be implementing the new organizational charts of the Ministries of the Economy and Finance, and that of Budget, Public Accounts, and the Public Purse.

- We are committed to improving the architecture of the Treasury Single Account (TSA) at the central bank. To this end, (i) we have prepared a complete end-2022 list of all commercial bank accounts of the central government and of public agencies, with a view to closing those (in line with an action plan) after transferring the associated deposits to the BEAC; and (ii) we will ensure the automatic transfer to the TSA of the revenues arising from sales of oil exports and of resources from public entities—after the related agreement between the BEAC and the Treasury is finalized (mid-2023). These actions, which are part of the PFM strategy, should lead to improved Treasury services and facilitation of proper payment execution. We will also ensure that (i) the free resources in the government's escrow account in China will not be used for purposes other than to be regularly repatriated into the TSA ; and (ii) all of the government revenues collected within the framework of the retail price formula for fuel will be deposited in a budget account that is transparent and controllable within the TSA (prior action). This implies that the escrow account of the stabilization fund for petroleum products will become a budget account in the TOFE, in which inflows of funds will be recorded as revenues and outflows as expenditures.

- To ensure better monitoring of receipts, we will ensure the full interconnection of information management systems used by the customs offices (ASYCUDA), tax authorities (E-Tax), and Treasury. Regarding the interface between E-Tax and ASYCUDA, a data exchange protocol has been signed between the two administrations and a consultation platform is already operational. The specifications for the Treasury part have not yet been drawn up. The general platform will be operational by end-2023.

- We are committed to preparing the transition toward accrual accounting (by end-2024). We created an opening balance sheet committee, charged with establishing the opening balance sheet and defining the main stages toward implementation of the accrual accounting.

- The recent evaluation of management of public climate investments (C-PIMA), carried out by the IMF, revealed weaknesses in the management of public investments, in particular as regards project implementation. The main problems are the absence of clear criteria for project selection and the lack of systematic accounting arrangements for project implementation procedures; the predominance of limited calls for bids; the frequent rationing of liquid assets; and the ineffectiveness of project monitoring. To begin to meet these challenges, we commit to compiling and publishing a list of selection criteria (in line with the C-PIMA recommendations), including a climate dimension (structural benchmark at the end of September 2023). We commit to formalizing a standard methodology for preliminary evaluation of projects, also considering climate aspects, including risk analysis (structural benchmark at the end of December 2023).

27. The government is transitioning to an improved version of the Financial Management Information System (SIGFIP) to promote 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 at end-2021 but some gaps are still being addressed. The delays observed in SIGFIP implementation in 2022 were due to funding and capacity challenges that are in the process of being addressed. The modules on cash management, budget reporting, commitment plan, and procurement should become operational by June 2024 (structural benchmark), and the module on accounting, including accrual accounting and the transition to program budgeting, will be ready by end-2024. 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 (oil and non-oil) public revenue collection and of the execution of public spending (the full expenditure chain). To assist with implementation of the new system, the IMF has provided technical assistance that facilitated the drawing up of an action plan related to SIGFIP implementation. The government is committed to implementing this action plan for SIGFIP. 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 tests of the new SIGFIP.

28. We recognize that in order to obtain sustainable and inclusive growth of our economy, it is essential for us to continue to improve governance and transparency while combating corruption. The government has already taken significant steps to rectify governance weaknesses and vulnerabilities to corruption, including the publication of a comprehensive diagnostic report on governance and corruption in 2018, strengthening of our anti-corruption legal architecture, and steps to improve governance in the oil sector. Progress in improving access to information and transparency will contribute to confronting vulnerabilities to corruption, which constitutes a precondition for improving the business climate. For example, we have published several annual reports of the Extractive Industries Transparency Initiative (EITI), and we are committed to publishing the 2021 report by December 2023. We are pursuing improvements in our natural resource management and enforcement of property and contractual rights, by continuing to work towards a public register of licenses in the mining and forestry sectors (missed structural benchmark for end-March 2023, due to the fact that the project is proving more complex than expected). We will conclude operationalization and integration of the information systems already in place for the mining sector, and will put the integrated system in the public domain by June 2024. We will deploy the system operationalizing the current pilot register of licenses for the forest industry to all of the parties concerned by end-January 2024, will grant public access to the system by June 2024 (even if the information required for a full register in accordance with the requirements of EITI will not be fully included by then), and will subsequently intensify efforts to deal with all remaining gaps in the data. Looking to improve governance, we will conduct a comprehensive assessment of the implementation of measures committed to in the 2018 diagnostic report on governance, and will identify areas for improvement, including those related to the rule of law and transparency, with a view to developing an action plan for 2024-2025 (end-January 2024 structural benchmark). This effort will be supported by IMF technical assistance in areas related to anticorruption and the rule of law, as well as to anti-money laundering and combating the financing of terrorism (AML/CFT). We will also develop an action plan for strengthening AML/CFT, which will build upon the recommendations from Congo's recently published AML/CFT Mutual Evaluation Report.

29. We have substantially improved our anti-corruption regulations and are working towards strengthening the rule of law. A new anti-corruption law was passed by Parliament in February 2022 and was enacted in March 2022. We are committed to effective implementation of the new law being an essential step towards meeting our obligations under the United Nations Convention Against Corruption (UNCAC), particularly in relation to the criminalization of corruption offenses, and other international obligations subscribed by Congo. Our anti-corruption commission, the High Authority for the Fight against Corruption (HALC), is fully operational. We are committed to ensuring its full independence, as required by law, and to making sure that it receives the necessary budget allocations to perform its duties. We will publish annual reports of the HALC on the government website within five days of their being passed on to the government, as of the beginning of February 2024. 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. Likewise, the Ministry of Justice will publish on a quarterly basis, statistics of all indictments and convictions for corruption-related offenses. In an effort to develop a comprehensive set of decisions, the full text of all judgments handed down in corruption-related cases will be published within 30 days of the judgment.

30. Convinced of the importance of increasing transparency in public life, we will operationalize the system for managing conflicts of interest. Law no. 9-2022 of March 11, 2022 on preventing and combating corruption has put in place a legislative framework for the fight against corruption, incorporating all the principles and best practices recognized at international level, in particular the prevention and management of conflicts of interest, by the adoption of a decree and an order prepared in collaboration with the IMF. As the declaration of assets is an integral part of conflicts of interest resolution, high-level officials are already covered by this system.[2] We will be assessing the implementation of the existing system through the missions entrusted to the HALC, following a series of awareness-raising campaigns. Operationalization of the conflict-of-interest management system will be gradual and will require (i) the submission of

[2] A high-level official is a public official who holds a legislative, executive, administrative or judicial mandate, on a permanent or temporary basis, whether paid or unpaid, including any politically exposed national or any person who performs a public function on behalf of a public agency or public enterprise, or who provides a public service (see article 2 of law no. 9-2022 of March 11 on preventing and fighting corruption and related offences).

conflict-of-interest declarations, in accordance with the provisions of Decree no. 2022-467, starting at least with high-level officials, and (ii) their publication by the HALC by the end of April 2024 (structural benchmark).

31. The government is making progress in advancing transparency.

- We have established by law the commission charged with implementing the transparency law, which constitutes Congo's regional commitments on budget transparency. The commission—which is required by law to include civil society representation—is operational. We will ensure that the commission, which includes civil society representatives, is endowed with the necessary resources to perform its duties, primarily to make publicly available the information required under the law. We will also ensure that all parts of our administration cooperate fully with the commission, and that the transparency law is fully implemented. All information that is required to be made public under the transparency law will be published on the government website by end-January 2024.

- We have published on the government website: all final reports of the Inspectorate 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 the carrying out of 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 Court of Accounts will be published on the government website within 30 days of being finalized.

32. The government supports the widespread dissemination of information on judicial proceedings and the functioning of institutions charged with enforcement of the law, as a step toward better resource allocation and as agreed in the 2018 diagnostic report. To this end, on the official website we are publishing: (i) for each court (magistracy): the number of sitting judges, the active staff complement, and the number of vacant positions; and for each prosecution service, 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 real estate for 2015–20; and (iii) all decisions of the Supreme Court.

E. Broader Structural Reforms

33. Improving economic diversification and adaptation to climate change will be key to achieving growth that is stronger, more inclusive, more resilient, and job-creating. 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 Agenda 2063 for the development of Africa, and the recommendations of the CEMAC economic and financial reform program (PREF-CEMAC) in relation to the structural transformation of the national economies within CEMAC.

To support our diversification efforts, we plan to strengthen and expand basic infrastructures and improve the business environment. Key measures aim at:

- Improving and expanding infrastructure for transportation, irrigation, water and sanitation, and telecommunications—aiming to raise productivity and job creation in areas with a strategic advantage (agriculture, food processing, forestry, wood products, ICT) as well as in manufacturing and services (tourism, finance, service provision). This will also help build resilience to climate change for small businesses and farmers.

- Improving access to energy at affordable cost, including through 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 have (i) computerized and published the company register; and (ii) published a complete inventory of fiscal, and parafiscal, charges that are applied to formal and informal businesses. The government will: (i) create a national real estate register; (ii) simplify procedures and reduce the costs of setting up business; and (iii) reform administrative costs 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 IMF policies.

34. We will also strengthen financial sector resilience and broaden access to finance, which will foster macroeconomic stability, economic diversification, and the building of resilience. A roadmap for the implementation of the 2022–27 sub-regional financial inclusion strategy has been developed. To support these efforts, the government has adopted two laws, of which one regulates factoring and the other leasing, in compliance with local and regional regulations. Other regulatory provisions have been implemented or are being drafted, for a significant improvement of the legal framework for business. These include, in particular, the decree setting out the terms and procedures for the registration of approved credit, microfinance and payment institutions operating in the Republic of Congo, the decree instituting a national register of personal property securities, and the decree on the procedures and conditions for the registration of real estate titles. Electronic money activities (mobile banking, mobile money, etc.) are governed by CEMAC regulations, in particular Regulation No. 02/03/CEMAC/UMAC/CM in reference to payment systems, means, and incidents, Regulation No. 01/11/CEMAC/UMAC/CM in reference to the exercise of the activity of issuing electronic money, and COBAC Regulation R-2005/02 relating to electronic money institutions. The government will also continue to strengthen the legal and judicial systems' capacity to address financial litigation. Financial stability will benefit from the reduction in nonperforming loans as the clearance of domestic arrears advances (¶11). We will also continue to closely monitor the solvency and liquidity indicators of the banking system and follow-up on the progress of the restructuring plans of the two fragile banks.

F. Strengthening Statistical Capacities

35. The government continues to prioritize the improvement of public statistical databases. The ministry responsible for statistics is implementing a plan, the National Statistics Development Strategy 2022–26, seeking 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 account statistics, with the assistance of the IMF. We have published the balances of payments for 2019 and 2020, as well as the provisional 2021 national accounts. For 2021, we will refine the estimates after collection of all data, particularly those from the oil companies. The INS teams are working on inclusion of the gas sector within the national statistics, bearing in mind the arrival of large-scale investments in 2023. The Consumer Price Index has been rebased and the INS is working with the support of the partners on a permanent mechanism for production of quarterly national accounts, while awaiting migration to SNA 2008 by the year 2025. In relation to demographics, we have made progress on a general population and housing census (RGPH), which will be completed shortly. A 1-2-3 survey on household living conditions and a demographic and health survey are under way and are supported by funding from the World Bank.

36. The government is committed to pursuing its efforts on the publication of basic economic indicators. Data on monthly inflation rates are accessible through the websites of the Ministry of Finance and of the National Institute of Statistics. Some foreign trade statistics are published on the website of the National Institute of Statistics. Starting in June 2023, quarterly results for VAT exemptions (TOFE), debt service, and outstanding debt will be published regularly on the website of the Ministry of the Economy and Finance, within 90 days of the reporting date of the respective statistics.

G. Funding of the Program

37. 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 shortfall for the remainder of the program.

H. Program Monitoring

38. 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, 2, and 3 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 fourth semi-annual review will be based on data and performance criteria at end-June 2023, and is expected to take place after

October 15, 2023. The fifth semi-annual review will be based on data and performance criteria at end-December 2023, and is expected to take place after April 15, 2024.

39. We will strengthen the internal monitoring mechanisms to ensure robust program implementation. A program monitoring committee (Program Monitoring Committee, CSP) has been established by the government and is responsible for collecting information from the entities responsible for implementing program measures, and for regularly evaluating their performance. We will keep civil society regularly informed of our performance during implementation of the program. To that end, starting in September 2023 we will relaunch the publication on the government websites of tables containing information on program monitoring and implementation, drawn up in consultation with the IMF staff, in particular on the Ministry of Finance website. These include quarterly budget results and budget forecasts, monthly inflation rates, and the quarterly public debt stock and debt service.

Table 1. Republic of Congo: Quantitative Performance Criteria and Indicative Targets, 2022–24

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

	Type of criteria	End-Dec 2022				End-Mar 2023	End-June 2023		End-Sept 2023		End-Dec 2023		End-Mar 2024	End-June 2024
		PC Program	PC Modified Program	Actual	Status	IT Program	PC Program	PC Modified Program	IT Program	IT modified Program	PC Program	PC Modified Program	IT Program	PC Program
Floor on basic non-oil primary budget balance (excluding oil-related transfers)[2]	PC	-510	-506	-553	Not Met	-143	-303	-244	-444	-369	-523	-459	-132	-262
Adjusted target (floor)			-535											
Upward adjustment for higher than expected oil-related transfers			31											
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower oil revenue			-60											
Ceiling on net domestic financing of the central government	PC	-262	-57	125	Not Met	-15	-47	166	-121	122	-297	-67	-33	-40
Adjusted target (ceiling)			-373											
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue			-316											
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3,4]	PC	0	0	12	Not Met	0	0	0	0	0	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,5,6,8]	PC	0	0	0	Met	0	0	0	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[3,7]	PC	0	0	0	Met	0	0	0	0	0	0	0	0	0
Floor on non-oil revenues	IT	758	762	736	Not Met	191	405	415	632	638	881	868	224	457
Floor for social and poverty-reducing spending	IT	379	379	291	Not Met	80	181	181	322	322	402	402	85	191
Ceiling on disbursements of external loans for investment projects	IT	143	157	101	Met	67	123	121	176	168	186	164	62	112
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion)[5,8]	IT	69	33	24	Met	46	86	87	100	102	140	143	174	205
Floor on repayment of domestic arrears accumulated by the central government	IT	402	365	431	Met	20	40	53	90	81	200	110	21	42
Memo items:														
Oil revenue[9]		1546	1405	1661		241	584	553	965	873	1439	1195	321	631
Expected external assistance, net[10]		-870	-845	-726		-133	-239	-219	-364	-327	-555	-484	-91	-172
- BoP assistance (IMF-ECF)		158	108	108		55	83	79	83	79	110	105	0	26
- Budgetary loans and grants (excl. IMF)		103	98	117		30	88	79	127	121	189	194	38	85
- Change in non-program external arrears		0	0	0		0	0	0	0	0	0	0	0	0
Payments for current external debt service due after debt relief		974	943	843		164	328	298	491	448	744	678	129	258

[1] Quantitative Performance Criteria and Indicative Targets are defined in the TMU. "Program" columns reported for 2023 represent the PCs and ITs set at the time of the second review of the ECF arrangement; "Modified Program" columns for 2023 represent the modifications to these PCs and ITs proposed during the third review of the ECF arrangement; and columns for 2024 represent PCs and ITs set at the time of the third review of the ECF arrangement.

[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] This ceiling was reset against a waiver of non-observance from the Board at the time of the second review (February 2023), due to arrears that were incurred and resolved in January 2023. However, in March 2023 new arrears were accumulated that have been resolved only in May 2023.

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

[6] Excluding all types of financing mentioned in paragraph 10 of the TMU.

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

[8] 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.

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

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

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Table 2. Republic of Congo: Structural Benchmarks 2022-23			
Measures	**Target date**	**Status**	**Macroeconomic Rationale**
Prepare an inventory of all tax arrears to identify them with precision and establish the probability of recovery.	End-December 2022	Not Met Implementation completed with delay.	Improve tax administration and support domestic revenue mobilization efforts.
Update EDP pricing formula to account for improvements in CORAF's operating efficiency over the past three years.	End-December 2022	Not Met Implementation progresses, with finalization foreseeing setting explicitly the EDP adjustment coefficient to 10 percent.	Improve transparency and governance and protect public resources.
Operationalize the procurement planning template by mapping it to the 2023 budget.	End-December 2022	Met	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	Not Met Implementation expected by June 2024.	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	Met	Improve transparency and manage debt-related risks.

Table 3. Republic of Congo: Proposed Structural Benchmarks 2023–24

Measures	Target date	Status	Macroeconomic Rationale
A comprehensive stock-taking of hydrocarbon-related VAT administration (including exemptions).	End-June 2023		Improve tax administration and support domestic revenue mobilization efforts.
Increase the resources available to cash transfer programs (Lisungi and Telema Projects) by 15% compared to the amounts allocated in 2022, making it possible to increase coverage and payment for beneficiary households.	End-July 2023		Reduce fragility, maintain social stability, reduce inequalities, and promote social inclusion.
Define and publish a list of project selection criteria (in line with C-PIMA recommendations), integrating the climate dimension.	End-September 2023		Improve public investment management.
Enactment of hydrocarbon-related VAT tax laws (into a single legislation).	End-December 2023		Improve tax administration and support domestic revenue mobilization efforts.
Formalize a standard methodology for the preliminary assessment of projects, considering climate aspects, including risk analysis.	End-December 2023		Improve public investment management.
Development of a 2024 action plan for implementing remaining recommendations from the 2018 governance diagnostic report.	End-January 2024		Reduce corruption, improve governance.
Publish first quarterly debt bulletin with detailed central government and state-owned enterprise stock and flow information.	End-March 2024		Improve transparency and manage debt-related risks.
Require submission of conflict-of-interest declarations for high-level officials at least, and publication of the declarations by the High Authority for the Fight against Corruption	End-April 2024		Reduce corruption, improve governance, and protect public resources.
Fully operationalize the modules for cash management, fiscal reporting, treasury, and procurement of the new Expenditure Tracking Software (SIGFIP).	End-June 2024		Improve transparency and governance and protect public resources.

Table 4. Republic of Congo: Prior Actions		
Measures	**Status**	**Macroeconomic Rationale**
Increase gasoline fuel prices, both for retail and industry clients, by at least 10 percent, while eliminating the price differential between retail and industry clients.		Improve transparency and governance and protect public resources.
Establish legal provisions ensuring that government fees collected as part of the retail fuel price formula are deposited going forward in an on-budget, transparent, and monitorable account.		Improve transparency and governance and protect public resources.

Attachment II. Technical Memorandum of Understanding

I. 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; (iii) all sources of budgetary loans identified in the program; and (iv) debt to creditors whose residency can be tracked, in which case the definition of external debt is on a residency basis. 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.[1] 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 loans contracted from the World Bank (both IDA and IBRD) 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-

[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).

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, 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" external 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" external arrears*** is the total of "non-program external arrears" in connection with current external 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. Exceptions to the application of this adjustment is when (i) grant financing for the government's social cash transfer program in 2022 or 2023 exceeds program projections for that year—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 remain unchanged for that year; 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; and (ii) World Bank budget financing in 2023 exceeds projections—in this case the 2023 floor for the basic non-oil primary balance will remain unchanged and the ceiling for 2023 net domestic financing to the government will be adjusted downward by the full amount of the excess World Bank budget 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 30 billion*, 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 30 billion. 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. The exception to this adjustor is when the World Bank budget financing in 2022 is below projections—in this case the 2022 floor for the basic non-oil primary balance will remain unchanged and the 2022 ceiling for net domestic financing to the government will be adjusted upward by the full amount of the shortfall in World Bank budget financing.

- *When oil revenues are 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. 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 prior to entering into any new debt commitments that give rise to obligations in currency other than the CFA Franc or to FX-indexed obligations. 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 2022–23 Budget

(Billions of CFA francs)

ITEM	2022 budgeted	2022 realized	2023 budget prevision Q1	Q2	Q3	Q4	Total
Basic health and fight against disease	**174.3**	**110.3**	**39.3**	**49.1**	**68.8**	**39.3**	**196.6**
Acquisition and management program of essential and generic drugs, biological and reagent check-up	6.2	4.9	1.5	1.9	2.6	1.5	7.4
Program of free AIDS drugs, biological and reagent check-up	18.0	1.8	3.4	4.3	6.0	3.4	17.1
AIDS education and outreach campaign	0.5	0.7	0.1	0.1	0.2	0.1	0.5
Malaria and other diseases control program	15.1	5.5	3.3	4.1	5.8	3.3	16.5
Extended vaccination program	12.9	4.8	2.6	3.2	4.5	2.6	12.8
Response to epidemics	17.6	15.2	2.9	3.7	5.1	2.9	14.7
Free caesarean section program	2.4	1.1	0.5	0.6	0.9	0.5	2.5
Tuberculosis control program	0.5	1.4	0.1	0.1	0.2	0.1	0.5
Program for the control of non-contagious diseases, including trypanosomiasis and onchocerciasis	0.7	0.3	0.1	0.2	0.3	0.1	0.7
Revitalization of health districts through the purchase of medical-technical equipment and functioning of hospitals and health centers	73.0	54.8	19.8	24.8	34.7	19.8	99.2
Construction and rehabilitation of general and basic hospitals as well as health centers in towns and rural centers	23.2	14.0	3.9	4.8	6.7	3.9	19.3
Women's and teenager health	4.2	5.8	1.1	1.4	2.0	1.1	5.6
Basic education	**102.6**	**55.9**	**28.9**	**36.1**	**50.5**	**28.9**	**144.4**
Construction and rehabilitation of school buildings	6.5	1.7	2.1	2.6	3.7	2.1	10.5
Program of free school supplies, textbooks and tuition fees as well as teaching materials in primary, secondary general, technical and vocational schools	24.3	15.6	5.3	6.6	9.3	5.3	26.5
School canteen program	5.1	3.9	1.4	1.8	2.5	1.4	7.1
Strengthening the capacities of the education and research system	27.0	29.4	12.6	15.7	22.0	12.6	62.8
Scholarships, school and university aid	30.5	4.4	6.3	7.9	11.0	6.3	31.5
Program for the acquisition of table-bench at school level	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction, rehabilitation of university infrastructure and equipment, scientific research and technological innovation	9.2	1.0	1.2	1.5	2.1	1.2	5.9
Infrastructures for improved access	**52.2**	**30.6**	**11.6**	**14.5**	**20.4**	**11.6**	**58.2**
Construction and rehabilitation of rural and agricultural roads through the Commercial Agriculture Development Program (PDAC)	5.3	9.8	1.3	1.7	2.3	1.3	6.6
River maintenance, dredging and tagging	2.7	3.1	1.0	1.2	1.7	1.0	4.9
Community projects and revitalization of the village fabric	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Construction and repair of access infrastructure (roads, bridges, etc.)	43.5	17.7	9.3	11.7	16.3	9.3	46.7
Electricity, water and sanitation	**69.8**	**59.6**	**11.2**	**14.0**	**19.6**	**11.2**	**55.9**
"Water for all" program to continue the drinking water supply operation in urban and rural centers	10.7	7.4	2.0	2.5	3.5	2.0	10.0
Construction of electrical works for population access to energy	16.7	4.3	3.5	4.4	6.1	3.5	17.6
Sanitation of towns and, as a consequence, the cleaning of gutters and the destruction of breeding sites	42.4	47.9	5.7	7.1	9.9	5.7	28.4
Social protection and employment	**58.9**	**21.9**	**15.3**	**19.1**	**26.7**	**15.3**	**76.4**
Charitable actions and social assistance	0.7	0.3	0.1	0.2	0.3	0.1	0.7
Integration and social and economic reintegration of disabled people and minorities	0.4	0.3	0.1	0.2	0.2	0.1	0.6
Support for vulnerable people and street children	28.1	21.3	8.7	10.8	15.2	8.7	43.4
Self-employment and training for small trades through income-generating activities for the benefit of young people in general and particularly unemployed young people	2.7	0.1	0.6	0.8	1.1	0.6	3.2
Implementation of universal health insurance	26.9	0.0	5.7	7.1	9.9	5.7	28.4
Agriculture, fishing and livestock	**16.9**	**10.1**	**4.0**	**5.0**	**7.0**	**4.0**	**20.1**
Supervision program for market gardeners in urban and rural centers	9.9	6.0	2.5	3.1	4.3	2.5	12.3
Improved seed distribution program	0.5	1.3	0.2	0.2	0.3	0.2	0.8
Agricultural techniques outreach and demonstration program	2.7	2.2	0.6	0.8	1.1	0.6	3.1
Livestock techniques demonstration program	3.7	0.5	0.8	0.9	1.3	0.8	3.8
Bovine sharecropping program	0.1	0.1	0.0	0.0	0.0	0.0	0.1
Promotion of women	**4.8**	**2.3**	**1.1**	**1.4**	**1.9**	**1.1**	**5.6**
Gender issue	2.9	1.6	0.6	0.7	1.0	0.6	2.8
Self-employment and training in small trades through income-generating activities for the benefit of women and young mothers	2.0	0.7	0.6	0.7	1.0	0.6	2.8
TOTAL	**479.5**	**290.7**	**111.4**	**139.3**	**195.0**	**111.4**	**557.0**

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
	Oil production	Monthly	End of month plus 45 days
	Trade statistics (exports and import, HS-2 digit)	Quarterly	End of quarter plus 45 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 and external borrowing and guarantees	Monthly	End of month plus 30 days
	Table of disbursements of new borrowing	Monthly	End of month plus 30 days
	Table of disbursements of loans contracted before the program	Monthly	End of month plus 30 days
	Projected external debt service	Quarterly	End of quarter plus 30 days
	Plans of contracting new budgetary support and project loans for the next two years	Quarterly	End of quarter plus 30 days

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

	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 29, 2023

THIRD REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, WAIVERS OF NONOBSERVANCE 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 Fabian Valencia (IMF) and Manuela Francisco 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[11] of the Republic of Congo are classified as "in distress", reflecting the ongoing restructuring and audit of domestic arrears that periodically results in upward revisions of public debt as well as the temporary accumulation of new external arrears—but debt is assessed as "sustainable". External arrears to all bilateral and commercial creditors, excluding disputed debts and pre-HIPC claims, have been resolved. Additionally, arrears to all but one commercial supplier were fully paid recently.

Improved debt management (including restricting new external financing to concessional terms), fiscal discipline, higher oil prices, and recently completed debt restructuring (including resolution of arrears, nominal haircuts on their outstanding stock, maturity extensions, and interest rate reductions) are projected to help all external liquidity and solvency indicators fall

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

below their thresholds by 2026 under the baseline scenario.[12] *Still high oil prices in the near and medium term (based on the April 2023 WEO assumptions) and higher non-oil growth supported by the authorities' reform agenda, coupled with increased debt amortization (because debt service is tied to high oil prices), are expected to reduce the public debt-to-GDP ratio and help avoid accumulation of new domestic arrears. Nevertheless, there are major external and overall debt-related risks, as signaled by the PV of the public debt-to-GDP indicator exceeding its benchmark through 2033 and one external debt indicator breaching is respective threshold that is, however, contained within 3 years.*[13] *Even though the PV of overall public debt-to-GDP ratio breaches its benchmark extensively, it is assessed as sustainable given that the risks are mitigated by i) steady and significant declines in the relevant ratios going forward and ii) expected accumulation of government deposits at the Central Bank.*

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 should 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.[14] 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 2022 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. Ministerial orders have been issued instructing the 10 largest SOEs to regularly share data on all their debt with the central government (a first round of this unaudited

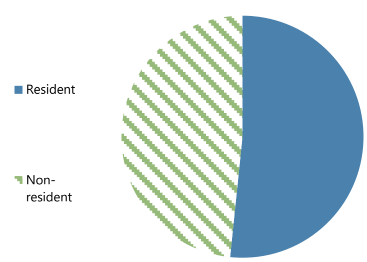
[12] The composite index (CI), estimated at 2.30 and based on the April 2023 World Economic Outlook (WEO) and 2021 World Bank Country Policy and Institutional Assessment (CPIA) data, indicate a weak debt carrying capacity for Congo.

[13] The PV of External debt to GDP and External Debt service to Exports ratios breach the thresholds for only one year and are discounted from analysis.

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

information has been published). The government has also published an annual debt report that details information on the guaranteed and unguaranteed debt of the 10 largest SOEs. Efforts are underway, supported by IMF and WB technical assistance, to centralize SOE debt information in a single debt database managed by the Congolese debt office and to include this information in all annual debt reports. A comprehensive debt management strategy was recently established as part of the conditionality 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 stewardship of the Ministry of Labor. Domestic debt includes social arrears related to unpaid pensions. In 2022, CNSS-related arrears were repaid in full, while for CRF, CFAF 96 billion were paid out of an outstanding debt of CFAF 107 billion[15].

Subscription of Congolese Treasury Securities in 2022



Source: BEAC

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 are 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, 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 (CL) stress test of 26 percent of GDP is customized to account for possible missing general government debt with revised legally disputed claims of domestic arrears (about 0.8 percent of GDP), revised arrears under audit not included in the forecast assumptions (2.8 percent of GDP)[16], and litigated external debt (2.05 percent of GDP[17]; Text Table 1). Non-guaranteed debt of the 10 largest SOEs is estimated at

[15] This represents the verified stock of CRF-related arrears at the end of 2021. In 2023, new verified arrears related to CRF worth 234 billion CFAF are to be added to the debt stock. These arrears are part of the newly recognized arrears of CFAF 360 billion, that have been included in the debt stock.

[16] The legally disputed claims of domestic arrears not included in the forecast assumptions were revised after 360 billion (4.2 percent of 2023 GDP) were realized as debt and included in the debt stock of 2023.

[17] 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

31 percent of GDP,[18] [19] and under the stress test, it is assumed that one third of this amount could end up on the central government balance sheet (10 percent of GDP), while the rest can be paid through the liquidation of SOE assets. In addition, Congo's total PPP capital stock is estimated at 6 percent of GDP, with 35 percent of this stock assumed to end up on the government balance sheet under the stress test (2 percent of GDP). 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. In total, the calibration of the CL stress adds up 26 percent of the GDP.

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

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	X
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)	X
8	Non-guaranteed SOE debt	

1	The country's coverage of public debt	The central government plus social security, central bank, 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	9.05	Litigated debt; contested domestic debt under audit; rejected domestic arrears
	of which: litigated debt		2.05	
	of which: contested domestic claim under audit		5.5	
	of which: rejected domestic arrears		1.5	
	of which: domestic arrears to residents swapped for forex debt		0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	10	SOE's debt not guaranteed by the government
4	PPP	35 percent of PPP stock	2.00	
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)		26.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

[1]The contingent liability (CL) shocks include a CL shock applied only to external debt to consider the impact of a situation where foreign currency debt service to foreign-owned resident companies are repatriated to the parent companies abroad.

[18] The DSA contingent liability stress test only considers the debt of the 10 largest (based on balance sheet size) SOEs due to lack of financial information on other SOEs.

[19] In line with continued improvements in compilation of statistics, supported by technical assistance from the IMF and other development partners, historical GDP and BoP statistics have been revised (see SR for the Second ECF Review).

BACKGROUND

A. Evolution and Composition of Public Debt

4. Public debt in the Republic of Congo declined from 98 percent of GDP at end-2021 to 92.5 percent of GDP at end-2022.[20] The decline in the debt-to-GDP ratio primarily reflects the authorities' efforts to remain current on scheduled debt service payments—where debt service to the two largest external commercial creditors is tied to oil prices, and they are sizeable when oil prices are high. The debt-related conditionality under the ECF arrangement helps limit new external financing and Congo has accumulated new arrears only temporarily since the start of the ECF arrangement. Compared to the last published DSA (CR 23/89), the overall debt-to-GDP ratio in 2022 has been revised downwards by 7 percentage points,[21] driven by the impact of historical GDP revisions on nominal GDP projections, which dominated the upward revisions of both domestic and external stocks owing to the new social debt and revised projections of domestic borrowing and assumed acceptance rates of unaudited arrears.

- External debt decreased from 55.7 percent of GDP at end-2021 to 43.1 percent of GDP at end-2022. The sharp decline in the external debt reflects higher payments on the debt with payments linked with oil prices. Nominal external debt projected for 2023 onwards remains lower than in the previous DSA, despite some increase in debt to bilateral creditors following reconciliation.

- As of February 2023, a large share of external debt is owed to China (including commercial creditors) (16.8 percent of GDP, see Tables 1a and 1b) and oil traders. Under the Fund-supported ECF arrangement and World Bank PPA under the SDPF, the contracting of new external debt is restricted to be on concessional terms.

- Domestic public debt increased from 42 percent of GDP at end-2021 to an estimated 49.5 percent of GDP at end-2022 owing especially to the inclusion of arrears for which the audit ended in 2022, new social debt, higher issuance of domestic debt securities, and the inclusion of use of SDR in debt statistics. The perimeter of domestic debt includes debt owed to commercial banks and non-bank institutions (around one-half of domestic debt, mainly in the form of bond issuances), commercial arrears (one fourth of domestic debt), social arrears (close to one tenth of domestic debt), and the rest represents statutory advances from BEAC (the regional central bank) and the use of SDRs. At end 2022, total arrears (see Table 1a) amounted to $2844 million (20.3 percent of GDP), including

[20] Due to the method of debt calculations within the DSA template, debt in percent of GDP in the DSA differs from the Staff Report which calculates the ratio through direct application of data reported by the authorities. All reported ratios, however, reflect the revised GDP numbers.

[21] As reported in more detail in the staff report, historical GDP figures have been revised upwards, lifting GDP projections through the associated base effect. These revisions were largely driven by better-than-expected results in the oil and gas sector.

$504 million of external arrears (3.6 percent) and 2340 millions of domestic arrears (16.7 percent of GDP).

5. Authorities have reached agreements to resolve external (official bilateral and commercial creditors) and domestic arrears. The DSA incorporates the resolution of arrears agreement with Exim Bank India that was concluded, with the authorities having already concluded agreements in principle with Brazil and Russia. As in the previous DSA, the debt sustainability analysis also 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 included a substantial nominal haircut on the stock of outstanding debt, a maturity extension, and resolution of $61 million in external arrears. This debt was fully repaid by early-2022. The restructuring agreement with the largest creditor was signed in 2021Q1 and that with the next largest 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.

- External arrears were accumulated on debt service to two bilateral creditors on account of communication flow issues between the Ministry of Finance and CCA. While arrears to one bilateral creditor were repaid within the 30-day stipulated in the program documents for meeting the continuous QPC on non-accumulation of external arrears, the delay in the payment of the arrears to the other bilateral creditor exceeded this 30-day time horizon. Hence, the QPC on non-accumulation of arrears was not met in March 2023. The authorities have committed to resolve organizational issues surrounding late external debt payments.

- The authorities cleared external arrears of $4 million with all except one commercial supplier in 2022 and are engaged in good faith discussions with the last remaining commercial supplier to resolve external arrears ($14 million).

- The authorities contest $259 million of pre-HIPC arrears owed to a supplier as part of a broader litigation case. The authorities have requested HIPC treatment for another $92 million of pre-HIPC arrears, which are included at face value in the DSA.

Agreements have been concluded on domestic commercial arrears in foreign and local currency ($140 million and around CFAF 450 billion, respectively) with two large commercial creditors. The WB FY23 PPAs would also help ensure clearance of arrears and prevention of their further accumulation while also helping to ensure the concessionality of new external debt.

Text Table 2a. Republic of Congo: Summary Table of Projected External Borrowing Program 2023

January 1, 2023– December 31, 2023

PPG external debt	Volume of new debt, Jan 1, 2023 to December 31,		
	USD million	CFAF Billion	Percent
By sources of debt financing	**548.9**	**338.8**	**100**
Concessional debt, of which	**485.9**	**299.9**	**89**
Multilateral debt	336.8	207.9	61
Bilateral debt	149.1	92.0	27
Other	0.0	0.0	0
Non-concessional debt, of which	**63.0**	**38.9**	**11**
Semi-concessional[1]	63.0	38.9	11
Commercial terms	0.0	0.0	0
By Creditor Type	**548.9**	**338.8**	**100**
Multilateral	336.8	207.9	61
Bilateral - Paris Club	137.5	84.9	25
Bilateral - Non-Paris Club	74.5	46.0	14
Other	0.0	0.0	0
Uses of debt financing	**548.9**	**338.8**	**100**
Infrastructure	260.9	161.0	48
Social Spending	0.0	0.0	0
Budget Financing	288.0	177.7	52
Other	0.0	0.0	0.0

[1] Semi-concessional loans are loans with positive grant elements but that are below the minimum threshold of 35 percent grant element used in Fund/WB/OECD definition.

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

(Millions of USD)

January 1, 2023 – December 31, 2023

	USD Million	CFAF Billion
By the type of interest rate		
Fixed Interest Rate	485.9	299.9
Variable Interest Rate	63.0	38.9
Unconventional Loans	0.0	0.0
By currency		
USD denominated loans	485.9	299.9
Loans denominated in other currency	63.0	38.9

Note: All loans are on contracting basis.

6. **This debt sustainability analysis also incorporates the impact of the G20 Debt Service Suspension Initiative (DSSI) and the associated debt service.** Under the DSSI, the authorities obtained relief of $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 the DSSI, an additional $105 million of debt service was rescheduled. Under the final DSSI extension, an additional $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 continued making payments.

7. Weaknesses in public debt management and reporting remain. The materialization of new external arrears, even if repaid quickly, emphasizes that despite reorganization efforts around debt management internal communication and coordination on this issue remain insufficient (¶14). 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 as any gains from lower debt service were offset by deposits in the escrow account. Moreover, the authorities continued accumulating excess deposits in the escrow account in China during 2020 that provides temporary guarantees for debt service to China. The authorities were able to use escrow account balances during the COVID-19 pandemic for debt service to China but reimbursed the escrow account again with the contractual amount in 2022 to meet their contractual obligations, including deposits guaranteeing the payment of three future semi-annual debt service installments. For domestic debt, limited capacity, delays in information sharing and weak communication between relevant entities that collect debt information, and the continued audit of arrears complicates debt reporting and management. 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. Debt indicators, such as the public debt-to-GDP ratio, are also impacted by statistical revisions to GDP.

B. 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 4.0 percent for 2023, reflecting 3.9 percent non-oil growth and a rebound in the oil sector, anticipating 4.4 percent growth after a 3.8 percent contraction in 2022. In 2024, the overall real GDP growth is projected to peak at 4.4 percent, on the back of non-oil GDP growth of 3.8 percent and oil GDP growth of 6.5 percent. Over the long term, growth will average around 4.0 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, the World Bank Development Policy Financing (DPF) program, and the IMF ECF arrangement.[22] Concurrently, oil production levels will decline with the depletion of oil reserves.

- The fiscal stance was loosened in 2022, due to a new subsidy for fuel imports and distribution. The non-oil primary deficit widened from 13.4 percent of non-oil GDP in 2021 to 15.7 percent of non-oil GDP in 2022. Nevertheless, owing to strong oil revenues, the overall

[22] For a list of structural benchmarks, please see IMF Country Reports No. 22/49 and No. 22/226.

balance improved from 2.1 percent of non-oil GDP in 2021 to 12.6 percent of non-oil GDP in 2022. Supported by the ECF program conditionality, revenue mobilization coupled with expenditure restraint, including streamlining fuel subsidies, will improve the non-oil primary deficit to 11.8 percent of non-oil GDP in 2023. Lower oil prices imply a smaller overall balance of 5.2 percent of non-oil GDP. Over the medium term, the authorities are expected to continue implementing fiscal adjustment to restore long-term fiscal sustainability and support building of regional international reserves.

- In 2022, budget support was provided by France (EUR 30 million) and the World Bank ($50 million, Text Table 4). 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 near and medium terms; the grant element remains around 37 percent over 2027–42.[23]

- The DSA assumes that more than 90 percent of Congo's domestic financing is medium- or long-term, and short-, medium-, and long-term domestic financing are obtained at the average interest rate of 6.5 percent. Moreover, all domestic financing is denominated in local currency.

Text Table 3. Republic of Congo: External Arrears Situation

	February 2022 stock			August 2022 stock			December 2022 stock			December 2022 (Excl. unrestructured pre-HIPC arrears)			February 2023 stock			February 2023 (Excl. unrestructured pre-HIPC arrears)		
	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total	**379**	**648**	**4.4**	**337.0**	**513.8**	**3.9**	**312.4**	**504.3**	**3.6**	**22.7**	**36.6**	**0.3**	**298.6**	**492.7**	**3.5**	**8.9**	**14.6**	**0.1**
Multilateral and other creditors	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	0.0	0.0
Bilateral	88.9	151.8	1.0	92.2	140.6	1.1	86.7	140.0	1.0	13.8	22.3	0.2	72.9	120.3	0.8	0.0	0.0	0.0
Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	11.9	19.1	0.1	11.9	19.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Brazil	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	0.0	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	5.7	9.2	0.1	5.7	9.2	0.1	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	6.2	10.0	0.1	6.2	10.0	0.1	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	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	0.0	0.0
Non-Paris Club	88.9	151.8	1.0	92.2	140.6	1.1	74.9	120.9	0.9	1.9	3.1	0.0	72.9	120.3	0.8	0.0	0.0	0.0
United Arab Emirates	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	0.0	0.0
Angola	66.4	113.4	0.8	74.1	113.0	0.9	69.8	112.6	0.8	0.0	0.0	0.0	69.8	115.1	0.8	0.0	0.0	0.0
China	1.2	2.0	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	0.0
India Exim Bank	18.2	31.0	0.2	15.0	22.8	0.2	1.9	3.1	0.0	1.9	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	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	0.0	0.0
Saudi Arabia	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	0.0	0.0
Turkey	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	0.0	0.0
Postal debt	3.1	5.4	0.0	3.1	4.8	0.0	3.1	5.1	0.0	0.0	0.0	0.0	3.1	5.2	0.0	0.0	0.0	0.0
Private Creditors	290	495.8	3.3	244.8	373.2	2.8	225.7	364.3	2.6	8.9	14.3	0.1	225.7	372.4	2.6	8.9	14.6	0.1
CMEC and Chinese companies	62	106.2	0.7	16.5	25.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eurobond	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	0.0	0.0
Afreximbank	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	0.0	0.0
Oil traders	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	0.0	0.0
Suppliers[1]	228	390	2.6	228.2	347.9	2.6	225.7	364.3	2.6	8.9	14.3	0.1	225.7	372.4	2.6	8.9	14.6	0.1

Source: Congolese authorities and IMF staff estimates.

[23] 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.

Text Table 4. Republic of Congo: Projected Loan Disbursements (US$ Million)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Total External Bilateral and Multilateral	**431**	**643**	**573**	**269**	**280**	**212**	**222**	**222**	**212**	**188**	**188**
Project Financing	**156**	**271**	**274**	**269**	**280**	**212**	**222**	**222**	**212**	**188**	**188**
Of which:											
Multilateral and other creditors	110	142	171	180	204	120	130	129	120	96	96
IMF	0	0	0	0	0	0	0	0	0	0	0
IDA	45	85	98	105	113	54	62	69	58	53	53
IBRD	26	52	73	73	87	59	59	49	49	29	29
AfDB	11	0	0	0	0	0	0	0	0	0	0
Others	27	5	0	2	4	6	9	11	13	15	15
Official bilateral	46	129	104	89	76	92	92	92	92	92	92
Paris Club	46	45	45	30	0	0	0	0	0	0	0
France	46	45	45	30	0	0	0	0	0	0	0
Non-Paris Club	0	84	59	59	76	92	92	92	92	92	92
China	0	84	59	59	76	92	92	92	92	92	92
General Budget Financing	**275**	**373**	**298**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
IMF	173	174	87	0	0	0	0	0	0	0	0
Other Development Partners	102	199	211	0	0	0	0	0	0	0	0

Sources: IMF and WB staff calculations and projections.

Box 1. Main Macroeconomic Assumptions[1]

- **Economic growth is projected to strengthen in the medium and long term driven by higher non-oil economic activity.**
  - In 2022, non-oil sector economic activity expanded by 3.3 percent supported by a rise in public spending and revived private demand, with agriculture, manufacturing, and services contributing to growth. Growth is expected to maintain momentum in the medium term supported by continued repayment of domestic arrears, targeted spending in infrastructure, healthcare and education, government efforts to accelerate economic diversification through the development of agriculture and manufacturing, and the implementation of structural reforms that would help to build fiscal space and improve the business environment. Helped by stronger institutions, diversification is expected to continue to drive growth in the longer run, as new sectors gain additional weight in the composition of the economy. The implementation of the 2022 public-private partnership (PPP) law will improve cooperation between the public and private sectors and will contribute to enhancing the availability of growth-led infrastructure, including affordable broadband access and encouraging concession agreements for distribution and generation in the electricity sector. Regulation towards greater competition (law on competition and consumption authority) will lead to more efficient markets, especially in sectors such as electricity and telecommunications. Economic diversification would be supported by further business environment reforms such as the horizontal law on inspections, under preparation, which will limit arbitrary inspections and reduce transaction costs for businesses.
  - Technical malfunctions and a lack of necessary machinery and equipment led to a decline in oil production in 2022. However, a recovery of investment, the delivery of needed equipment and new fields coming online, point to a gradual recovery of production going forward. Production is expected to recover in 2023 after three years of contraction, expanding to a peak of 107 million barrels in 2024, before gradually declining (unless new oil discoveries are made) due to aging oilfields. After a strong performance in 2022, oil prices are projected to decline potentially weighing on investment in the oil sector.

[1] The main macroeconomic assumptions discussed here are based on ECF 3rd review macro-framework.

Box 1. Main Macroeconomic Assumptions (continued)

- **The outlook is dominated by downside risks.** These include a further escalation of regional conflicts worldwide and tighter-than-expected external financing conditions, which could have adverse effects on investment, exports, imports, and remittances. Furthermore, the global transition to low-carbon economies and the resulting oil price volatility could negatively impact oil production, oil revenues, and oil investments. Fuel price subsidies that continue to distort private investment decisions and reduce fiscal space for development spending could also hinder economic diversification. Additionally, adverse weather conditions may lead to a decrease in agricultural production, resulting in increased food insecurity and inflationary pressures. The reform momentum could slow down. On the upside, higher prices of fertilizer and metal could boost mining investments, particularly since Congo has a globally significant potash basin. There may also be new discoveries of low-cost oil and gas fields. Moreover, the preservation of forests and biodiversity may attract environmental, social and governance (ESG) investments and trade with carbon credits.

- **Inflation:** Driven by higher food prices, inflation averaged 3 percent in 2022 and is projected at 3.5 percent for 2023. The expected decline in global food prices and the continued administration of prices for staples and public transport services should mitigate higher inflationary pressures from the gradual deregulation of retail fuel prices. In the medium-term inflation is projected at 3 percent, consistent with CEMAC inflation targets.

- **Current account balance:** A current account surplus of 3.9 percent of GDP is anticipated for 2023, significantly lower than the current account balance of 19.4 percent of GDP in 2022. The decline in surplus is primarily linked to lower global oil prices in 2023 compared to 2022. The current account is projected to remain in surplus over 2023–24 given oil prices remain at levels comfortable for Congo, oil production increases, and the non-oil sector continues to grow. After that, with the projected decline in oil production, the current account is expected to shift to a deficit, projected to an average of 6 percent of GDP over 2025–43, 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 non-oil exports. As elaborated above, economic diversification will continue to support projected GDP growth.

- **Fiscal policy aims to reduce debt and support growth.**
  - The loosening in the 2022 fiscal position that was driven by a significant rise in oil-related transfers (including a new subsidy to SNPC for fuel imports), will be compensated during 2023-28: after expanding by 2.3 percent of non-oil GDP (relative to 2021), the non-oil primary balance is projected to adjust cumulatively by 10.2 percent of non-oil GDP through 2028.
  - This fiscal adjustment is underpinned by measures supported by the IMF-ECF arrangement, World Bank DPF series, and technical assistance from the IMF, World Bank, and other development partners—including increases in administered retail fuel prices (complemented by adequate social assistance to the most vulnerable), measures to improve tax compliance and collection of tax arrears, a broadening of the tax base (compulsory use of the Unique Identification Number (NIU), streamlining of tax exemptions), customs reforms, excise duties in line with CEMAC guidelines and continued implementation of energy SOE reforms to reduce transfers and improve SOE transparency and collect more dividends from SOEs. Shrinking deficits in the non-oil primary balance, will increasingly open up fiscal space, and allow the public hand to gradually increase social transfers and public investment, adding to growth prospects, while progress in structural reforms will support more efficient public spending and hence higher fiscal multipliers.

Box 1. Main Macroeconomic Assumptions (concluded)

- More specifically, the SOE reforms include: i) more comprehensive tax system to large SOEs; ii) implementing the next steps of the 2019 reforms; iii) reducing transfers to SOEs; and iv) advancing the next phase of SOE reforms, especially for CORAF and CEC, that would further reduce subsidies to them and raise transparency of SOE operations. Both companies' production costs should be studied, and an action plan should be put in place for raising their efficiency and ensuring the electricity billing process and coverage reflect actual electricity consumption. Additional reforms include the completing of the on-going expanded analysis of the financial status of decentralized government units and public enterprises to better understand medium-term fiscal risks, identify vulnerabilities, and facilitate monitoring and enhancing debt monitoring of the large SOEs, by providing more details on their debt composition
- The authorities' continued efforts to take these measures forward demonstrate strong dedication towards budget and debt reforms and the ECF arrangement, particularly when also considering the recently completed debt restructuring and efforts to settle remaining arrears. In detail, the authorities plan to expand the tax base by gradually reducing tax expenditures and improving tax administration (one-stop shop for tax payments, digital platform 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).
- From a risk perspective, lower global oil prices could imply a drag on oil revenues and expected primary balance surpluses (relative to CR 23/89). A debt service tied partially to oil prices and plans for ample accumulation of deposits with BEAC, however, substantially mitigate such risks.

- **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. In that context, should revenues fall short, domestic arrears repayments will be slowed. The gradual clearance of domestic arrears should provide more liquidity to the private sector and banks, stimulating private investment and non-oil sector growth. It is also helping to alleviate macro-financial risks by reducing liquidity pressures and NPLs.

- **Loan disbursements:** The authorities' reform agenda, supported by the ECF arrangement, will catalyze concessional budget financing, which will help to 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).

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 the more volatile 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 creditors being tied to oil prices, a gradual increase of government deposits at BEAC, and as a last resort the likely availability of financing from Congolese financial markets—where banks have 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) are the main driver in reducing debt, with real GDP growth also contributing marginally (Figure 3). The primary balance realism tool suggests the 3-year adjustment on extreme left which contrasts with the previous DSA (IMF Country Report 2023/89) where the 3-year adjustment was in top quintile — a consequence of the primary surplus being lower in the near and medium term compared to the primary surplus in 2022 that benefitted from high oil prices. 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

	2023	2024	2025	2026	2027	2028-2032	2033-2042
New Loan Disbursements (billions FCFA)							
Current DSA	389.9	348.7	163.7	170.1	128.9	125.3	114.3
ECF 2nd Review	411.7	374.5	188.2	174.5	131.1	127.3	115.9
Grant Element of New External Borrowing (in percentage points)							
Current DSA	33.2	32.7	31.4	32.8	35.2	36.5	37.8
ECF 2nd Review	30.4	34.3	32.9	32.6	35.1	36.3	37.6
Primary balance (percent of GDP)							
Current DSA	6.6	7.4	6.1	5.4	5.9	7.4	2.3
ECF 2nd Review	9.0	9.0	7.1	6.6	7.1	10.9	1.2
Real GDP growth (percent)							
Current DSA	4.0	4.4	3.3	3.8	3.9	4.2	4.2
ECF 2nd Review	4.1	4.6	3.5	4.0	4.1	4.2	4.2
Current Account Balance (percent of GDP)							
Current DSA	3.9	1.6	-0.1	-1.8	-1.9	-3.8	-8.4
ECF 2nd Review	8.5	3.1	2.4	1.0	0.3	-2.1	-11.9
Congolese Oil prices (US dollars per barrel)							
Current DSA	77.4	72.4	69.8	67.8	71.4	67.5	78.5
ECF 2nd Review	84.4	78.8	75.2	73.1	71.4	75.9	88.7
Brent Oil prices (US dollars per barrel)							
Current DSA	78.4	73.6	70.9	68.9	67.2	68.6	79.7
ECF 2nd Review	88.6	83.4	79.6	76.8	74.6	79.2	92.0

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

C. Country Classification and Determination of Stress Test Scenarios

10. The composite index (CI) is assessed at 2.3 and is based on the April 2023 World Economic Outlook (WEO) and 2021 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 2022 WEO data, and the debt carrying capacity is unchanged compared to the previous (first review of the ECF arrangement) DSA.

Text Table 6. Republic of Congo: Debt Carrying Capacity, Composite Indicator, and Thresholds

Country	Congo, Republic of
Debt Carrying Capacity	Weak

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.30	Weak 2.22	Weak 2.30

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.714	1.04	46%
Real growth rate (in percent)	2.719	1.468	0.04	2%
Import coverage of reserves (in percent)	4.052	28.148	1.14	50%
Import coverage of reserves^2 (in percent)	-3.990	7.923	-0.32	-14%
Remittances (in percent)	2.022	0.004	0.00	0%
World economic growth (in percent)	13.520	2.856	0.39	17%
CI Score			2.30	100%
CI rating			Weak	

Applicable thresholds

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: LIC DSA estimations. The CI cutoff value for medium debt carrying capacity is 2.69.

11. In addition to standardized stress tests, the DSA considers three tailored tests. Including 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 of HIPC debt restructuring) causes the market financing shock to be 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. The calibrations of the shocks correspond to default values generated by the DSA template.

DEBT SUSTAINABILITY ANALYSIS

A. External Debt Sustainability Analysis

12. Under the baseline, the breach of one external debt indicator vis-à-vis Congo's indicative thresholds is contained within 3 years (Figure 1), while two other indicators are above their indicative thresholds only in 2023. Under the current terms on the already restructured debt, all threshold breaches are eliminated by 2026 under the baseline scenario. The debt service-to-revenues ratio, at 29 percent in 2023 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. The PV of external debt-to-GDP ratio and the debt service-to-exports ratios are discounted from analysis as they are only above their indicative thresholds of 30 percent and 10 percent respectively in the year 2023. The PV of external debt to GDP ratio is 33 percent at end-2023 and is projected to decline to 28 percent in 2024, below the threshold. Likewise, debt service-to-exports ratio is projected to decline to 9 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 35 percent over 2028–33.

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 and high volatility of 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 118 percent. While this shock is intended to simulate the impact of reduced oil export receipts (oil is 80 percent of exports) that could arise from a decline in oil prices, it does not account for debt service to the largest external commercial creditors being tied to oil prices (i.e., debt service in a given year declines with reduced oil prices).

14. Reflecting weak debt management and uncertainties arising from assessing the exact nature and true volume of domestic arrears, the external and overall debt is still assessed to be in-distress but sustainable (see ¶16). The delays in paying external debt service due in March and May and the respective breach of the continuous 2023 QPC for a non-accumulation of new external arrears, and the lack of progress in past corrective measures, highlight the underlying weaknesses in the debt management. Authorities remain fully committed to strengthen their debt management systems, including by streamlining processes and improving communication between different departments. As all the debt ratios fall below the debt thresholds within 5 years, debt is assessed to be sustainable.

B. 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 2033 and then remains below the threshold for the remainder of the horizon. As the PV of public debt breaches its benchmark until 2033 and authorities are trying to recognize domestic arrears as debt after auditing them, the overall debt is still assessed as in distress but sustainable given that liquidity risks are mitigated by i) its downward path going forward and ii) the expected accumulation of government deposits at the Central Bank. 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 growth remains subdued, constraining the fiscal space to clear domestic arrears. In contrast, historical scenarios point towards perennially rising PV of debt-to-GDP and PV of debt-to-revenue ratios (Figure 2), which reflect large historical residuals[24] and low growth rates. Nevertheless, the baseline PV of Debt to Revenue and Debt Service to Revenue ratios are declining going forward.

[24] Historical residuals largely comprise the accumulation of external and domestic arrears.

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

(Percent of GDP, unless otherwise indicated)

	2023	2024	2027	2032
	PV of Debt-to-GDP Ratio			
Current DSA	33.2	29.5	22.1	14.4
ECF 2nd Review	38.9	34.8	26.8	16.3
	PV of Debt-to-Exports Ratio			
Current DSA	48.6	45.4	41.0	32.2
ECF 2nd Review	47.0	44.3	41.3	30.0
	Debt Service-to-Exports Ratio			
Current DSA	10.9	9.4	4.3	3.3
ECF 2nd Review	10.5	8.3	4.3	3.4
	Debt Service-to-Revenue Ratio			
Current DSA	29.0	24.2	9.8	6.6
ECF 2nd Review	29.1	22.2	10.2	7.1

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 weaknesses in debt management that have resulted in several instances of temporary accumulation of external arrears with bilateral creditors, coupled with the uncertainty in the exact nature and volume of domestic debt pending authorities' ongoing efforts of auditing and recognizing domestic arrears. Consideration will be given to reassess the "in distress" qualification at the next review as the country establishes a track record of timely payments of external obligations. Nevertheless, external arrears to all bilateral and commercial creditors, excluding disputed debts and pre-HIPC claims, have been resolved. 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 projected to be resolved by 2026. All this results in the overall and external debt being assessed as 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 2032) and a large external debt service-to-revenue ratio (the indicator exceeds the threshold through 2025), are mitigated by the steady and significant declines in these ratios going forward, the likely availability of financing from Congolese financial

markets, expected accumulation of government deposits with the Central Bank, 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, clear arrears, and enhance debt management. Nevertheless, the Debt Sustainability Assessment also remains vulnerable to oil price shocks and to imported inflation stemming from elevated global prices for food and other imports (most notably fuels). A lower oil price could obstruct the authorities' structural reforms and diversification efforts, whereas high global fuel and food prices could prompt more spending on subsidies for both items, jeopardizing the authorities plans of fiscal consolidation. Opposition to reforms (including due to social discontent) could slow fiscal consolidation and payment of domestic arrears, weighing on banks' ability to lend to the private sector and subsequently economic growth prospects. Unfavorable oil production outcomes pose a significant downside risk to the DSA assessment. Such a scenario can materialize if foreign direct investments fall below the required levels and could also materialize with an unfavorable response from the oil companies on authorities' efforts for tax reforms in the oil sector.[25] Finally, further downward revisions to GDP statistics (¶8) could raise debt-to-GDP ratios again.

18. 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), as Congo does not plan to issue market debt, and instead rely on concessional financing in the medium term to rein in debt vulnerabilities.[26]

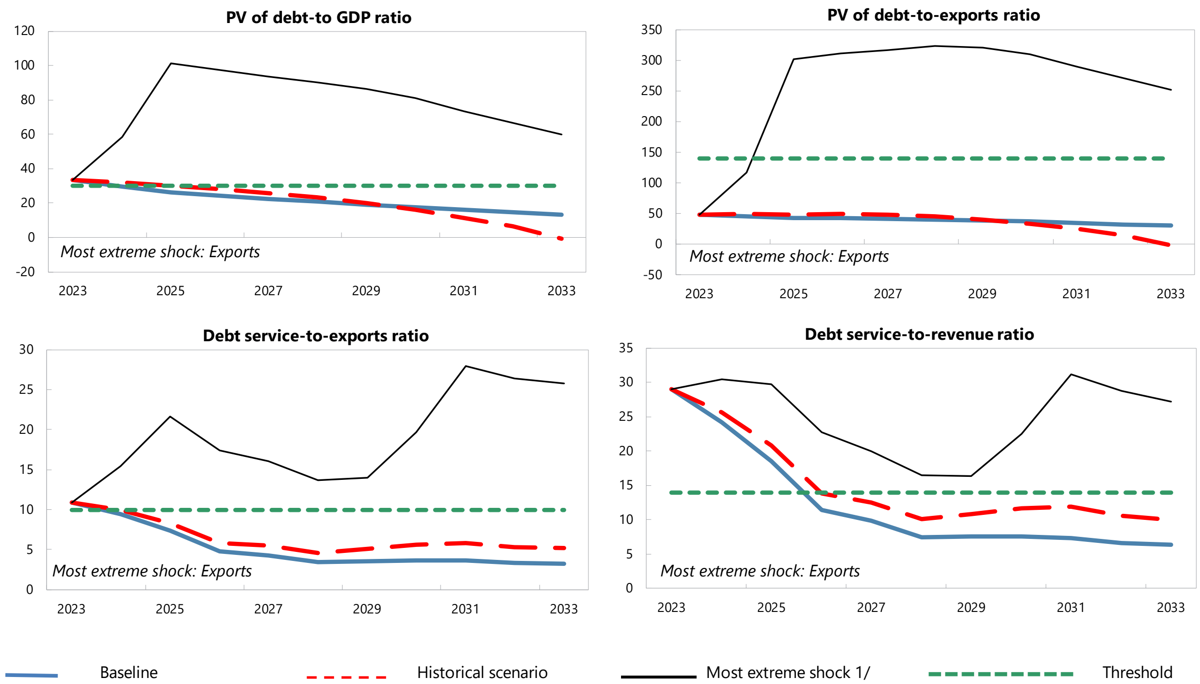
AUTHORITIES' VIEWS

19. 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 debt restructuring efforts. The authorities expressed their commitment in strengthening the debt management system by improving processes and communication between different government departments for avoiding re-emergence of external arrears. The authorities were also hopeful of finishing the audit of domestic arrears for a clearer picture of the nature and volume of domestic debt, while also showing commitment in including plans for domestic financing mix.

[25] However, thus far, the recently agreed new tax concessions have played in favor of increased investment by oil producers since the concessions have leveled the playing field across producers.

[26] EMBIG data for the Republic of Congo is not available. The bond, due to mature in 2029, was trading with a yield to maturity of 11.6 percent and a spread of 804 bps over the 7-year US treasury bond as on April 24, 2023 (Source: Bloomberg, https://www.federalreserve.gov/releases/h15/).

Figure 1. Republic of Congo: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2023–33



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	No	No
Commodity price	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.

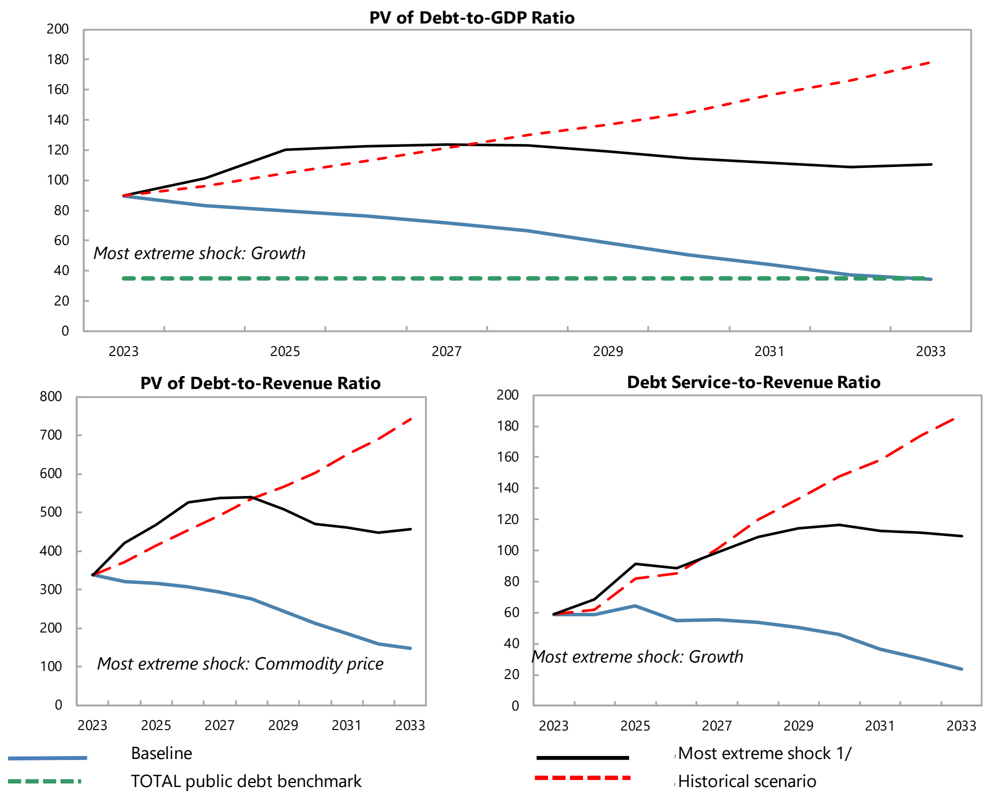
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
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 2033. 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.

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, 2023–33



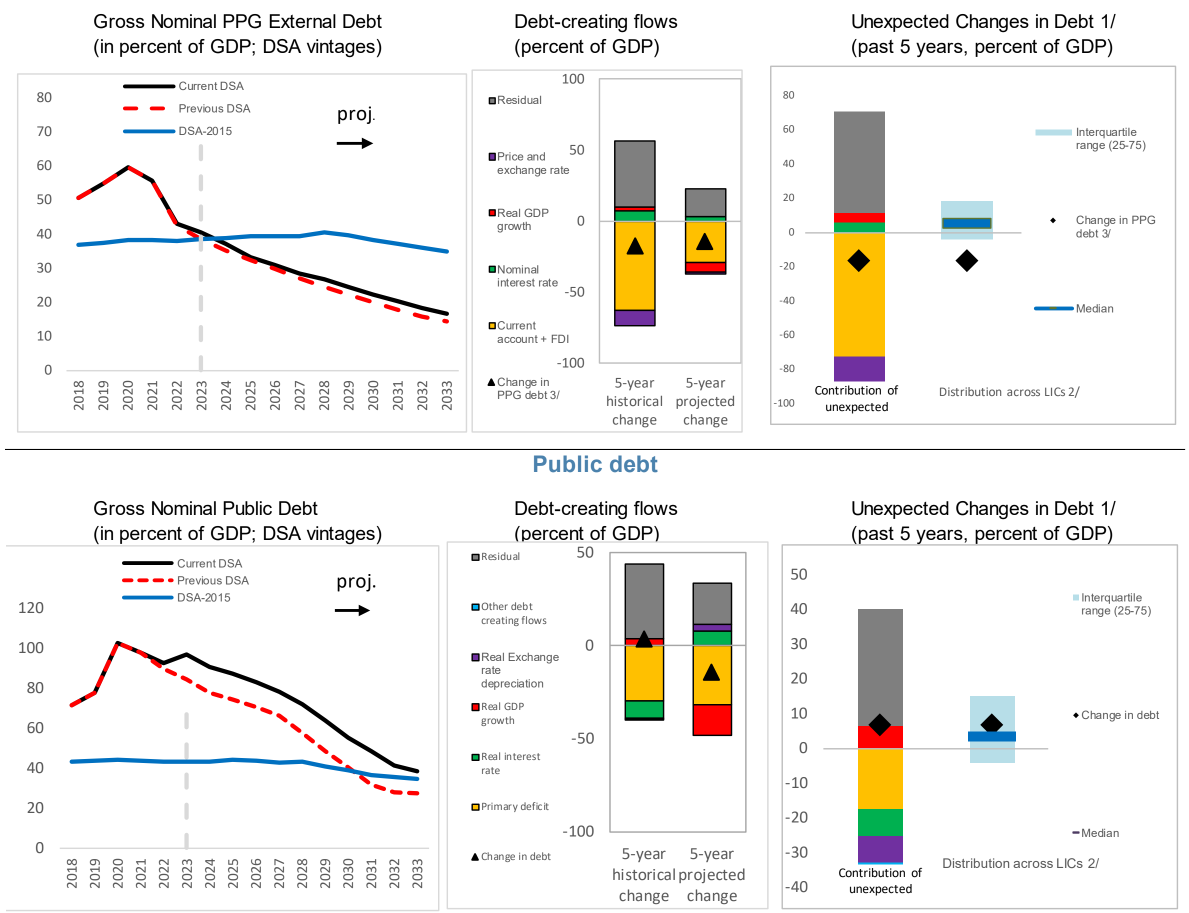
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	21%	21%
Domestic medium and long-term	72%	72%
Domestic short-term	7%	7%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.6%	4.6%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	4.6%	4.6%

* 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 2033. 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.

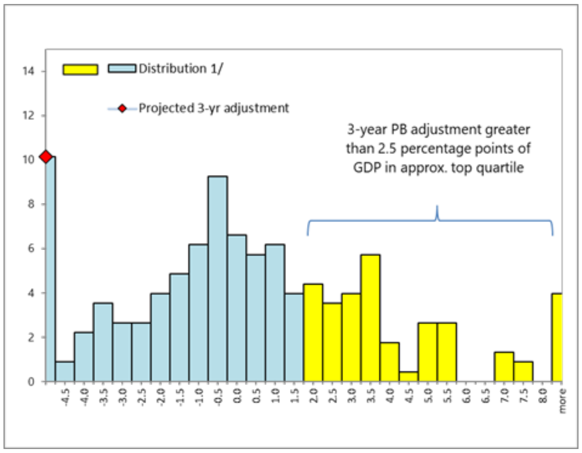
1/ Difference between anticipated and actual contributions on debt ratios.

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

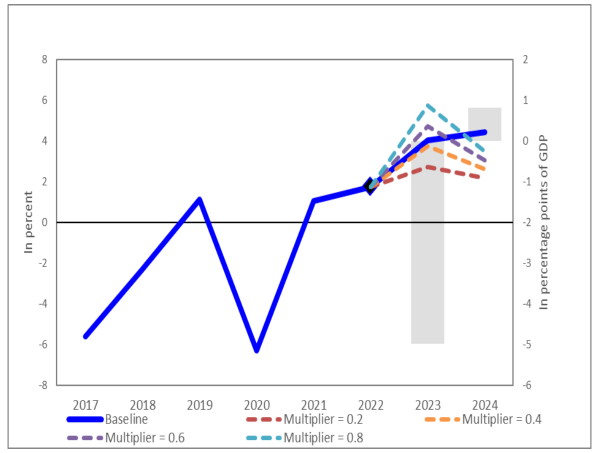
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Republic of Congo: Realism Tools

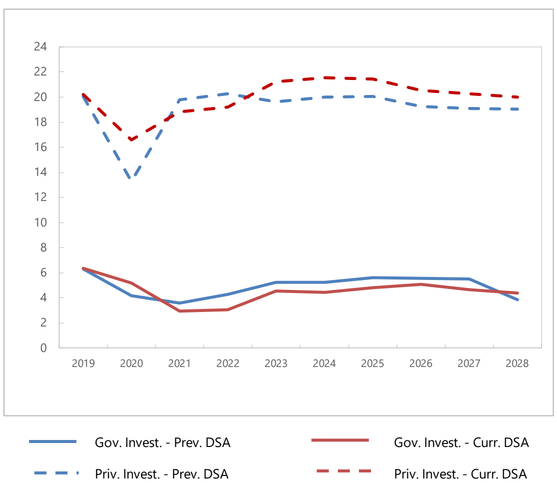
Three-Year Adjustment in Primary Balance 1/
(Percentage points of GDP)



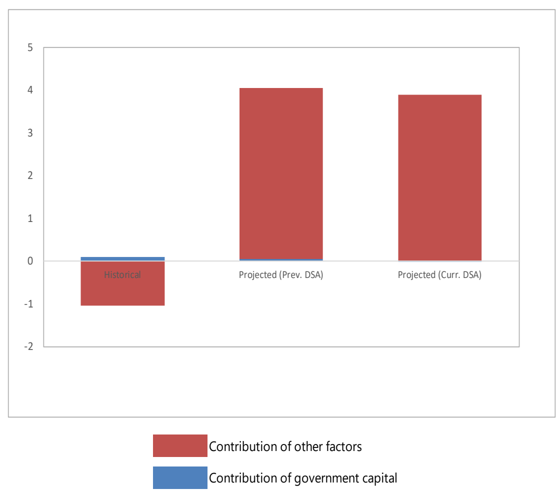
Fiscal Adjustment and Possible Growth Path 2/



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.

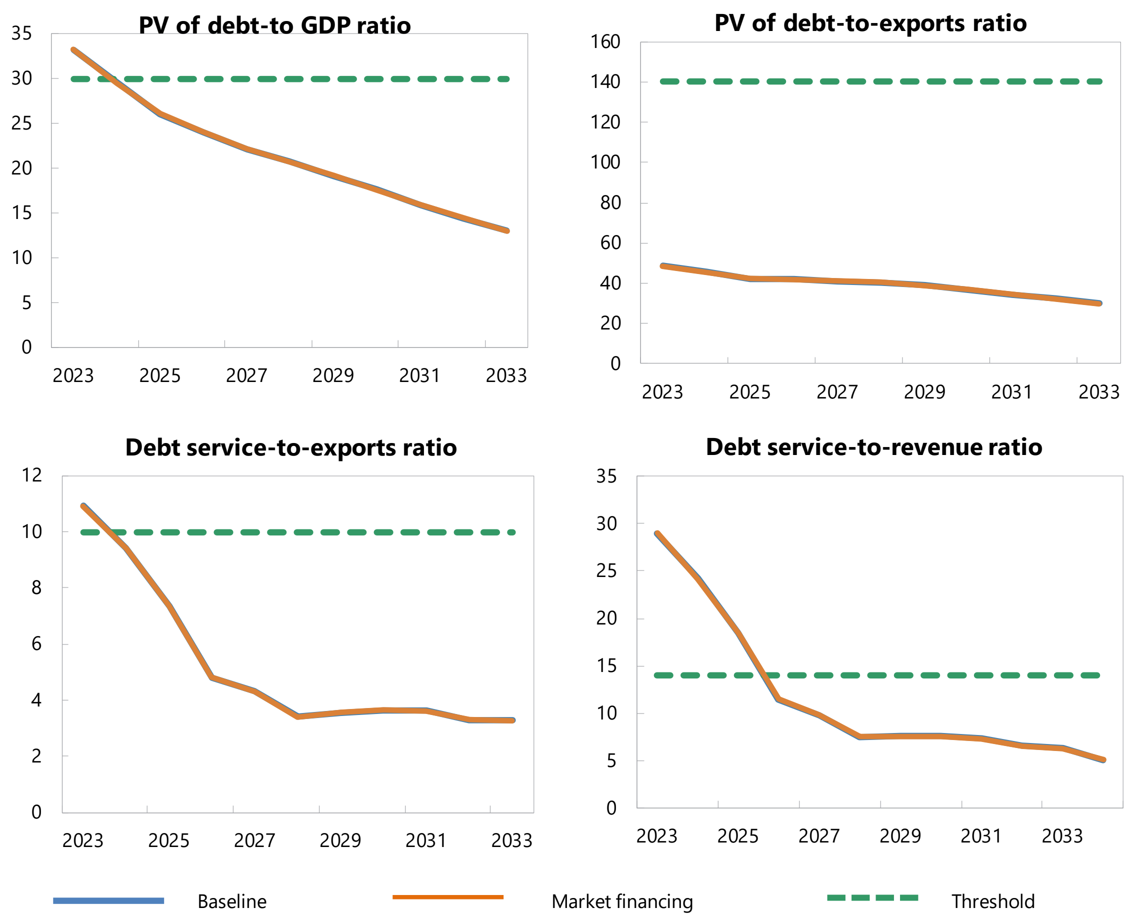
2/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

3/ The changes in investment reflect a change in the methodology for computing the price index used to convert nominal 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.

EMBIG data for the Republic of Congo is not available. The bond, due to mature in 2029, was trading at a discount of 14.5 percent over par with a yield to maturity of 11.6 percent and a spread of 804 bps over 7-year US treasury bond as on April 24, 2023. (Sources: Bloomberg, https://www.federalreserve.gov/releases/h15/)

Table 1a. Republic of Congo: Gross Public Debt by Creditor, 2021–23

	Dec 30, 2021			Dec 31, 2022			Feb 28, 2023 Prel.		
	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total public debt	**7254**	**12500**	**97.8**	**8038**	**12976**	**92.5**	**7794**	**12581**	**89.7**
External debt	**4136**	**7127**	**55.7**	**3741**	**6039**	**43.1**	**3497**	**5644**	**40.2**
Of which: arrears	1286	2216	17.3	312	504	3.6	299	491	3.5
Multilateral and other creditors	550	948	7.4	781	1261	9.0	769	1265	8.9
IMF	24.0	41	0.3	130.5	211	1.5	130.5	215	1.5
IDA/IBRD	226	390	3.0	334	540	3.8	329	540	3.8
AfDB	241	415	3.2	240	387	2.8	231	380	2.7
IFAD	14	24	0.2	15	24	0.2	15	24	0.2
Others	45	78	0.6	62	100	0.7	64	105	0.7
Official bilateral	1802	3106	24.3	1752	2827	20.2	1639	2695	19.0
Paris Club	273	470	3.7	280	452	3.2	150	246	1.7
Brazil	57	98	0.8	56	91	0.6	56	93	0.7
Belgium	89	153	1.2	79	128	0.9	74	121	0.9
France	106	183	1.4	123	199	1.4	0	0	0.0
Russia	17	30	0.2	19	31	0.2	20	32	0.2
Switzerland	4	6	0.0	2	3	0.0	0	0	0.0
Non-Paris Club	1530	2636	20.6	1472	2376	16.9	1489	2449	17.3
China	1257	2166	16.9	1222	1973	14.1	1256	2066	14.6
India	68	117	0.9	52	84	0.6	50	82	0.6
Kuwait	32	55	0.4	34	54	0.4	33	55	0.4
Saudi Arabia	46	80	0.6	49	79	0.6	49	81	0.6
Turkey	45	77	0.6	36	58	0.4	22	36	0.3
Pre-HIPC arrears (not restructured)	129	222	1.7	73	118	0.8	73	120	0.8
Private Creditors	1783	3073	24.0	1208	1950	13.9	1089	1790	12.6
Chinese companies	284	489	3.8	185	298	2.1	185	304	2.1
London Club (eurobond)	140	241	1.9	140	226	1.6	140	231	1.6
Oil-prepurchased debt	909	1567	12.3	625	1009	7.2	512	842	5.9
Afreximbank	54	94	0.7	32	52	0.4	26	42	0.3
Suppliers	396	682	5.3	226	364	2.6	226	371	2.6
Domestic debt[1]	**3118**	**5373**	**42.0**	**4297**	**6937**	**49.5**	**4297**	**7067**	**49.8**
BEAC advances and SDR	572	986	7.7	735	1187	8.5	735	1209	8.5
Commercial banks and non-banks	1532	2640	20.6	2112	3410	24.3	2112	3474	24.5
Audited and validated arrears reported by CCA	1014	1748	13.7	1450	2340	16.7	1450	2384	16.8
Commercial	643	1108	8.7	1083	1749	12.5	1083	1781	12.5
Social and pensions	371	640	5.0	366	592	4.2	366	603	4.2

Sources: Congolese authorities; and IMF staff estimates

[1]Data updated until the end of December 2022

Table 1b. Republic of Congo: Decomposition of Public Debt and Debt Service by Creditor, 2022–24[1/]

	Debt Stock (end of period)			Debt Service						
	2022			2022	2023	2024		2022	2023	2024
	(In Million US$)	*(Percent total debt)*	*(Percent GDP)* [8]	*(In Million US$)*				*(Percent GDP)*		
Total	12,976	100	92.5	3,344	2,227	2,590		24.0	15.6	17.3
External	6,039	47	43.1	1,440	1,062	906		10.3	7.5	6.1
Multilateral creditors[2,3]	1,261	9.7	9.0	55	67	73		0.4	0.5	0.5
IMF	211	1.6	1.5	…	…	…	…	…	…	…
World Bank	540	4.2	3.8	…	…	…	…	…	…	…
ADB/AfDB/IADB	387	3.0	2.8	…	…	…	…	…	…	…
Other Multilaterals	124	1.0	0.9	…	…	…	…	…	…	…
o/w: BDEAC	76	0.6	0.5	…	…	…	…	…	…	…
IFAD	24	0.2	0.2	…	…	…	…	…	…	…
Bilateral Creditors	2,827	21.8	20.2	318	361	346		2.3	2.5	2.3
Paris Club	452	3.5	3.2	65	80	75		0.5	0.6	0.5
o/w: France	199	1.5	1.4	…	…	…	…	…	…	…
Belgium	128	1.0	0.9	…	…	…	…	…	…	…
Non-Paris Club	2,376	18.3	16.9	252	282	272		1.8	2.0	1.8
o/w: China	1,973	15.2	14.1	…	…	…	…	…	…	…
India	84	0.6	0.6	…	…	…	…	…	…	…
Commercial creditors[2]	1,950	15.0	13.9	1,067	633	488		7.6	4.4	3.3
o/w: Bonds	226	1.7	1.6	41	40	38		0.3	0.3	0.3
Other international creditors	1,724	13.3	12.3	1,026	594	450		7.3	4.2	3.0
o/w: Largest two creditors	1,009	7.8	7.2	…	…	…	…	…	…	…
Others	715	5.5	5.1	…	…	…	…	…	…	…
Domestic[6]	6937	53.5	49.5	1904	1165	1684		13.6	8.2	11.3
T-Bills[7]	…	…	…	…	…	…	…	…	…	…
Bonds[7]	3038	23.4	21.7	1185	940	1299		8.5	6.6	8.7
Loans	1187	9.1	8.5	26	27	27		0.2	0.2	0.2
Memo items:										
Collateralized debt[4]										
o/w: Related	1,009	…	7.2	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…
Contingent liabilities										
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities[5]	259	…	1.8							
Nominal GDP	13,961	…	…	…	…	…	…	…	…	…

[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] Domestic debt service includes arrears repayment.

[7] T-Bills and T-Bonds are grouped together.

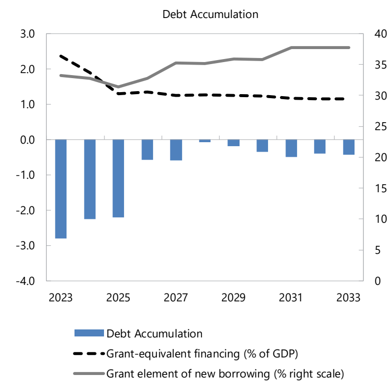
[8] Calculated with debt stock and GDP in local currency units.

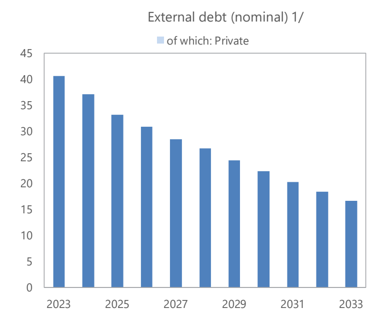
Table 2. Republic of Congo: External Debt Sustainability Framework, Baseline Scenario, 2020–43

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	59.7	55.7	43.1	40.6	37.1	33.2	30.8	28.5	26.6	16.6	6.6	50.4	27.2
of which: public and publicly guaranteed (PPG)	59.7	55.7	43.1	40.6	37.1	33.2	30.8	28.5	26.6	16.6	6.6	50.4	27.2
Change in external debt	4.7	-3.9	-12.7	-2.5	-3.5	-3.9	-2.3	-2.4	-1.8	-1.8	-0.7		
Identified net debt-creating flows	8.4	-24.3	-25.4	-10.2	-8.2	-6.2	-4.3	-3.9	-3.1	2.9	4.6	-4.4	-3.4
Non-interest current account deficit	-13.0	-15.1	-20.7	-4.8	-2.4	-0.5	1.3	1.5	1.9	7.9	7.3	-0.3	1.9
Deficit in balance of goods and services	-11.9	-23.5	-31.4	-13.9	-11.6	-9.2	-6.9	-6.0	-4.9	1.3	5.1	-5.8	-5.8
Exports	45.2	66.1	84.2	68.3	64.9	61.4	57.1	53.9	51.1	43.4	25.3		
Imports	33.4	42.6	52.8	54.4	53.3	52.2	50.2	48.0	46.2	44.7	30.4		
Net current transfers (negative = inflow)	-1.0	-0.1	-0.3	-0.5	-0.3	-0.4	-0.4	-0.5	-0.5	-0.5	-0.4	0.7	-0.5
of which: official	-1.1	-0.4	-0.6	-0.9	-0.6	-0.8	-0.8	-0.8	-0.8	-0.9	-0.7		
Other current account flows (negative = net inflow)	-0.1	8.5	11.0	9.6	9.5	9.1	8.7	7.9	7.3	7.1	2.5	4.9	8.1
Net FDI (negative = inflow)	8.7	-1.6	-3.7	-4.6	-4.9	-5.2	-5.0	-4.7	-4.4	-4.4	-2.4	-6.0	-4.6
Endogenous debt dynamics 2/	12.6	-7.6	-1.0	-0.8	-1.0	-0.5	-0.7	-0.7	-0.7	-0.5	-0.4		
Contribution from nominal interest rate	0.7	0.9	1.3	0.9	0.7	0.6	0.5	0.5	0.4	0.2	0.1		
Contribution from real GDP growth	4.2	-0.5	-0.9	-1.7	-1.7	-1.2	-1.2	-1.1	-1.1	-0.8	-0.4		
Contribution from price and exchange rate changes	7.7	-7.9	-1.4	...	...	...	...	...	...	...	...		
Residual 3/	-3.6	20.4	12.7	7.7	4.7	2.3	2.0	1.5	1.3	-4.7	-5.3	6.7	1.0
of which: exceptional financing	-2.3	-1.2	-0.1	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	...	...	36.7	33.2	29.5	26.0	24.0	22.1	20.7	13.0	4.9		
PV of PPG external debt-to-exports ratio	...	...	43.6	48.6	45.4	42.4	42.1	41.0	40.6	30.0	19.4		
PPG debt service-to-exports ratio	15.4	11.1	12.4	10.9	9.4	7.4	4.8	4.3	3.4	3.3	1.8		
PPG debt service-to-revenue ratio	37.6	33.2	33.5	29.0	24.2	18.5	11.5	9.8	7.5	6.3	2.0		
Gross external financing need (Million of U.S. dollars)	311.0	-1255.4	-1939.3	-276.0	-167.6	-183.3	-149.7	-151.1	-138.3	1300.9	2965.0		
Key macroeconomic assumptions													
Real GDP growth (in percent)	-6.3	1.1	1.7	4.0	4.4	3.3	3.8	3.9	4.0	4.5	6.8	-1.3	4.1
GDP deflator in US dollar terms (change in percent)	-12.3	15.3	2.5	-1.9	0.5	1.6	2.0	2.1	2.2	2.9	3.0	0.3	1.9
Effective interest rate (percent) 4/	1.0	1.8	2.4	2.2	1.9	1.7	1.6	1.6	1.5	1.4	1.3	2.1	1.6
Growth of exports of G&S (US dollar terms, in percent)	-39.1	70.4	32.8	-17.2	-0.2	-0.8	-1.5	0.2	0.7	4.0	7.9	8.0	0.0
Growth of imports of G&S (US dollar terms, in percent)	-24.3	48.7	29.3	5.2	2.8	2.7	1.8	1.4	2.3	12.9	7.3	3.5	4.5
Grant element of new public sector borrowing (in percent)	...	...	...	33.2	32.7	31.4	32.8	35.2	35.1	37.8	37.8	...	35.0
Government revenues (excluding grants, in percent of GDP)	18.5	22.1	31.2	25.7	25.3	24.5	24.0	23.7	23.2	22.5	23.1	26.2	23.6
Aid flows (in Million of US dollars) 5/	173.2	120.8	86.6	433.3	415.7	284.8	320.3	291.0	311.8	378.6	542.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.4	1.9	1.3	1.3	1.2	1.3	1.1	0.9	...	1.4
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	43.8	42.4	52.6	54.3	61.5	62.1	72.2	80.0	...	60.0
Nominal GDP (Million of US dollars)	11,485	13,387	13,961	14,243	14,949	15,686	16,599	17,611	18,721	26,632	55,052		
Nominal dollar GDP growth	-17.8	16.6	4.3	2.0	5.0	4.9	5.8	6.1	6.3	7.5	10.0	-1.0	6.1
Memorandum items:													
PV of external debt 7/	...	...	36.7	33.2	29.5	26.0	24.0	22.1	20.7	13.0	4.9		
In percent of exports	...	...	43.6	48.6	45.4	42.4	42.1	41.0	40.6	30.0	19.4		
Total external debt service-to-exports ratio	15.4	11.1	12.4	10.9	9.4	7.4	4.8	4.3	3.4	3.3	1.8		
PV of PPG external debt (in Million of US dollars)			5123.8	4732.0	4411.4	4081.3	3991.7	3893.5	3880.3	3470.1	2697.4		
(PVt-PVt-1)/GDPt-1 (in percent)				-2.8	-2.3	-2.2	-0.6	-0.6	-0.1	-0.4	-0.1		
Non-interest current account deficit that stabilizes debt ratio	-17.7	-11.2	-8.0	-2.3	1.1	3.4	3.7	3.9	3.7	9.7	8.0		

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/ 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.

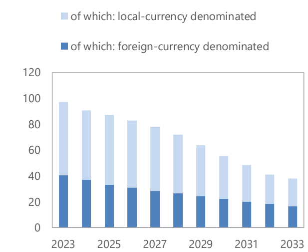
Table 3. Republic of Congo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–43

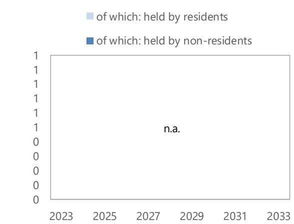
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	**102.5**	**97.8**	**92.5**	**97.0**	**90.7**	**87.0**	**82.8**	**78.0**	**72.1**	**38.2**	**20.0**	**76.5**	**68.6**
of which: external debt	**59.7**	**55.7**	**43.1**	**40.6**	**37.1**	**33.2**	**30.8**	**28.5**	**26.6**	**16.6**	**6.6**	**50.4**	**27.2**
Change in public sector debt	24.9	-4.7	-5.3	4.5	-6.3	-3.7	-4.3	-4.8	-5.9	-3.1	-3.4		
Identified debt-creating flows	**13.4**	**-8.9**	**-20.1**	**-7.0**	**-10.3**	**-7.8**	**-7.3**	**-7.9**	**-8.3**	**-5.7**	**-3.3**	**3.6**	**-8.4**
Primary deficit	**-0.1**	**-3.7**	**-11.6**	**-6.6**	**-7.4**	**-6.1**	**-5.4**	**-5.9**	**-6.2**	**-4.1**	**-1.3**	**1.7**	**-6.6**
Revenue and grants	20.0	22.6	31.8	26.6	25.9	25.3	24.7	24.5	24.0	23.4	23.8	**26.8**	**24.5**
of which: grants	1.5	0.4	0.6	0.9	0.6	0.8	0.8	0.8	0.8	0.9	0.7		
Primary (noninterest) expenditure	19.9	18.9	20.2	19.9	18.5	19.2	19.3	18.6	17.8	19.2	22.5	**28.5**	**17.9**
Automatic debt dynamics	**13.9**	**-5.3**	**-8.5**	**-0.3**	**-2.8**	**-1.7**	**-1.9**	**-2.0**	**-2.1**	**-1.6**	**-2.0**		
Contribution from interest rate/growth differential	9.5	-5.9	-8.1	-0.3	-2.8	-1.7	-1.9	-2.0	-2.1	-1.6	-2.0		
of which: contribution from average real interest rate	4.3	-4.8	-6.4	3.2	1.3	1.2	1.3	1.1	0.9	0.2	-0.5		
of which: contribution from real GDP growth	5.2	-1.1	-1.7	-3.6	-4.1	-2.9	-3.2	-3.1	-3.0	-1.8	-1.5		
Contribution from real exchange rate depreciation	4.4	0.7	-0.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**-0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.5**	**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)	-0.4	0.0	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	**11.5**	**4.2**	**14.8**	**11.4**	**4.0**	**4.1**	**3.1**	**3.1**	**2.4**	**2.6**	**-0.1**	**2.6**	**3.5**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**86.0**	**89.7**	**83.2**	**80.0**	**76.1**	**71.8**	**66.4**	**34.6**	**18.3**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**270.4**	**337.9**	**320.7**	**316.6**	**307.6**	**292.7**	**276.0**	**148.1**	**77.0**		
Debt service-to-revenue and grants ratio 3/	**70.3**	**76.5**	**75.8**	**58.9**	**58.8**	**64.5**	**54.9**	**55.3**	**54.0**	**23.5**	**15.5**		
Gross financing need 4/	13.5	13.6	12.5	9.0	7.8	10.2	8.2	7.6	6.7	1.4	2.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-6.3	1.1	1.7	4.0	4.4	3.3	3.8	3.9	4.0	4.5	6.8	**-1.3**	**4.1**
Average nominal interest rate on external debt (in percent)	1.0	1.7	2.5	2.2	1.9	1.7	1.6	1.6	1.5	1.4	1.3	**2.1**	**1.6**
Average real interest rate on domestic debt (in percent)	18.5	-7.7	-9.9	8.2	2.6	2.4	2.6	2.4	2.1	1.3	-2.9	**1.3**	**2.6**
Real exchange rate depreciation (in percent, + indicates depreciation)	7.6	1.1	-0.8	...	...	...	...	...	...	...	...	**4.8**	**...**
Inflation rate (GDP deflator, in percent)	-14.0	11.2	15.1	-4.5	1.0	1.6	1.8	2.0	2.2	2.9	3.0	**1.7**	**1.7**
Growth of real primary spending (deflated by GDP deflator, in percent)	8.5	-4.1	8.8	2.7	-3.1	6.9	4.7	-0.2	-0.4	25.4	7.0	**-2.6**	**3.9**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-25.0	1.1	-6.3	-11.1	-1.2	-2.4	-1.2	-1.1	-0.4	-1.1	2.0	**-10.1**	**-1.6**
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**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government 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, 2023–33
(Percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of debt-to GDP ratio											
Baseline	**33**	30	26	24	22	21	19	18	16	14	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**33**	**32**	30	28	26	23	20	16	11	6	-1
B. Bound Tests											
B1. Real GDP growth	**33**	**35**	**35**	**32**	30	28	26	24	21	19	18
B2. Primary balance	**33**	**32**	**35**	**34**	**33**	**33**	**33**	**32**	**30**	29	28
B3. Exports	**33**	**58**	**101**	**97**	**94**	**90**	**86**	**81**	**73**	**66**	**60**
B4. Other flows 3/	**33**	**41**	**48**	**46**	**44**	**42**	**40**	**37**	**33**	**30**	27
B5. Depreciation	**33**	**37**	**32**	30	28	26	24	22	20	18	16
B6. Combination of B1-B5	**33**	**51**	**60**	**57**	**54**	**52**	**49**	**45**	**41**	**37**	**33**
C. Tailored Tests											
C1. Combined contingent liabilities	**33**	**33**	**31**	29	29	28	27	26	25	24	23
C2. Natural disaster	**33**	**31**	28	27	25	24	23	22	20	19	18
C3. Commodity price	**33**	**40**	**46**	**46**	**45**	**44**	**42**	**39**	**36**	**33**	30
C4. Market Financing	**33**	30	26	24	22	21	19	18	16	14	13
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	49	45	42	42	41	41	39	37	34	32	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	49	49	49	49	48	46	40	33	25	14	-2
B. Bound Tests											
B1. Real GDP growth	49	45	42	42	41	41	39	37	34	32	30
B2. Primary balance	49	49	57	60	62	65	67	67	66	65	64
B3. Exports	49	117	**302**	**312**	**317**	**323**	**320**	**310**	**290**	**271**	**252**
B4. Other flows 3/	49	63	79	80	81	82	81	77	72	67	63
B5. Depreciation	49	45	42	41	40	40	38	36	34	32	29
B6. Combination of B1-B5	49	83	74	117	117	119	117	111	104	97	90
C. Tailored Tests											
C1. Combined contingent liabilities	49	51	50	52	53	55	55	55	54	53	53
C2. Natural disaster	49	49	47	48	48	49	48	47	45	44	42
C3. Commodity price	49	75	90	93	93	93	89	86	81	77	71
C4. Market Financing	49	45	42	42	41	41	39	37	34	32	30
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**11**	9	7	5	4	3	4	4	4	3	3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**11**	10	8	6	6	5	5	6	6	5	5
B. Bound Tests											
B1. Real GDP growth	**11**	9	7	5	4	3	4	4	4	3	3
B2. Primary balance	**11**	9	8	6	5	4	5	5	5	5	5
B3. Exports	**11**	**15**	**22**	**17**	**16**	**14**	**14**	**20**	**28**	**26**	**26**
B4. Other flows 3/	**11**	9	8	6	5	4	4	6	7	7	7
B5. Depreciation	**11**	9	7	5	4	3	4	4	4	3	3
B6. Combination of B1-B5	**11**	**12**	**12**	9	8	6	7	9	**10**	10	9
C. Tailored Tests											
C1. Combined contingent liabilities	**11**	9	7	5	5	4	4	4	4	4	4
C2. Natural disaster	**11**	10	8	5	5	4	4	4	4	4	4
C3. Commodity price	**11**	**12**	10	7	6	5	5	6	8	7	7
C4. Market Financing	**11**	9	7	5	4	3	4	4	4	3	3
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**29**	**24**	**18**	11	10	8	8	8	7	7	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**29**	**26**	**21**	14	13	10	11	12	12	11	10
B. Bound Tests											
B1. Real GDP growth	**29**	**28**	**25**	**15**	13	10	10	10	10	9	9
B2. Primary balance	**29**	**24**	**19**	13	12	10	10	10	11	10	10
B3. Exports	**29**	**30**	**30**	**23**	**20**	**16**	**16**	**23**	**31**	**29**	**27**
B4. Other flows 3/	**29**	**24**	**19**	13	12	9	9	12	**14**	13	13
B5. Depreciation	**29**	**31**	**23**	**14**	12	9	10	10	9	8	8
B6. Combination of B1-B5	**29**	**29**	**26**	**17**	**15**	12	12	**17**	**18**	**16**	**15**
C. Tailored Tests											
C1. Combined contingent liabilities	**29**	**24**	**19**	12	10	8	8	8	8	7	7
C2. Natural disaster	**29**	**24**	**19**	12	10	8	8	8	8	7	7
C3. Commodity price	**29**	**30**	**25**	**17**	**15**	11	11	13	**15**	14	13
C4. Market Financing	**29**	**24**	**18**	11	10	8	8	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, 2023–33[1/]

(Percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
						PV of Debt-to-GDP Ratio					
Baseline	**90**	**83**	**80**	**76**	**72**	**66**	**58**	**50**	**44**	**37**	35
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**90**	**96**	**105**	**113**	**122**	**130**	**137**	**145**	**156**	**166**	**178**
B. Bound Tests											
B1. Real GDP growth	**90**	**101**	**120**	**122**	**124**	**123**	**119**	**115**	**112**	**108**	**110**
B2. Primary balance	**90**	**100**	**117**	**114**	**109**	**103**	**95**	**86**	**78**	**70**	**67**
B3. Exports	**90**	**100**	**122**	**118**	**113**	**107**	**97**	**87**	**77**	**68**	**62**
B4. Other flows 3/	**90**	**94**	**102**	**98**	**93**	**88**	**79**	**70**	**61**	**53**	**49**
B5. Depreciation	**90**	**87**	**82**	**77**	**71**	**65**	**56**	**47**	**40**	32	29
B6. Combination of B1-B5	**90**	**95**	**109**	**108**	**106**	**103**	**97**	**90**	**85**	**80**	**78**
C. Tailored Tests											
C1. Combined contingent liabilities	**90**	**107**	**104**	**100**	**95**	**89**	**80**	**72**	**64**	**57**	**54**
C2. Natural disaster	**90**	**94**	**91**	**87**	**83**	**77**	**69**	**61**	**55**	**48**	**45**
C3. Commodity price	**90**	**91**	**98**	**108**	**115**	**119**	**117**	**112**	**109**	**106**	**107**
C4. Market Financing	**90**	**83**	**80**	**76**	**72**	**66**	**58**	**50**	**44**	**37**	35
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
						PV of Debt-to-Revenue Ratio					
Baseline	338	321	317	308	293	276	245	213	187	159	148
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	338	370	413	453	492	534	566	601	649	691	741
B. Bound Tests											
B1. Real GDP growth	338	389	470	489	499	506	492	477	468	456	466
B2. Primary balance	338	387	464	460	446	430	396	361	331	300	285
B3. Exports	338	385	484	476	460	444	408	368	328	288	264
B4. Other flows 3/	338	364	405	396	381	364	331	294	261	226	209
B5. Depreciation	338	337	326	311	291	270	235	199	169	138	123
B6. Combination of B1-B5	338	367	430	435	432	428	404	379	360	338	334
C. Tailored Tests											
C1. Combined contingent liabilities	338	414	411	402	386	369	335	301	273	244	231
C2. Natural disaster	338	362	360	352	338	322	291	259	232	205	194
C3. Commodity price	338	421	468	527	538	539	508	470	460	448	457
C4. Market Financing	338	321	317	308	293	276	245	213	187	159	148
						Debt Service-to-Revenue Ratio					
Baseline	59	59	65	55	55	54	51	46	37	30	23
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	59	62	82	85	101	120	133	148	158	174	187
B. Bound Tests											
B1. Real GDP growth	59	69	92	88	99	109	115	116	112	111	109
B2. Primary balance	59	59	89	103	106	111	103	91	81	73	64
B3. Exports	59	59	66	59	59	57	54	53	50	43	35
B4. Other flows 3/	59	59	65	57	57	56	52	50	44	37	30
B5. Depreciation	59	59	66	55	54	52	49	44	36	29	23
B6. Combination of B1-B5	59	61	75	74	78	82	84	82	75	70	65
C. Tailored Tests											
C1. Combined contingent liabilities	59	59	94	84	89	92	79	72	62	54	45
C2. Natural disaster	59	60	77	68	70	71	64	59	50	43	35
C3. Commodity price	59	73	84	75	89	99	104	108	106	105	104
C4. Market Financing	59	59	65	55	55	54	51	46	37	30	23

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.

REPUBLIC OF CONGO

July 17, 2023

THIRD REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION

Prepared By African Department

This statement provides information that has become available since the issuance of the Staff Report for the Third Review under the Extended Credit Facility (EBS/23/85) relating to fulfilling the two prior actions under this review. The thrust of the Staff Appraisal remains unchanged.

1. **The authorities met the two prior actions under the third review of the Extended Credit Facility arrangement.**

- **Fuel price increase.** On June 30, 2023, the ministries of commerce, supplies and the consumption, the economy and finances, hydrocarbons, and the budget, public accounts and the public portfolio announced in a joint ministerial decree a 24 percent increase in the price of gasoline. The price increase, which became effective on July 15, 2023, met the prior action requirement and is broadly in line with the 25 percent price increase authorities initially reflected in the budget projections, with the difference having only negligible impact on the 2023 budget as projected in the Staff Report.

- **Legal provisions for depositing fees collected as part of the retail price formula.** The prior action on establishing legal provisions for a depositing of government fees collected as part of the retail price formula in an on-budget, transparent and monitorable account was completed through a ministerial instruction issued by the Minister of Finance.

Statement by Mr. Facinet Sylla, Executive Director for the Republic of Congo; Mr. Regis N'Sonde, Alternate Executive Director; and Ms. Mwanza Nkusu, Senior Advisor to the Executive Director

July 19, 2023

INTRODUCTION

On behalf of our Congolese authorities, we would like to thank the Executive Board, Management, and staff for the Fund's continued engagement with the Republic of Congo. We also thank staff for the constructive policy discussions held during the review mission and in the run-up to the Board meeting on the third review under the Extended Credit Facility (ECF). Fund's financial assistance approved in January 2022 and continued technical assistance for capacity building are helping advance the agenda of macroeconomic policies and structural reforms necessary for the implementation of the authorities' National Development Plan for 2022–26 (PND 2022–26).

While program performance in the period under review has been adversely affected by budgetary measures implemented to address repercussions of a difficult external environment and climate-related shocks, the authorities have taken strong actions to keep the program on track. High import prices stemming from spillovers from the war in Ukraine have translated into a high import bill and an increase in the cost of living since 2022. Food and fuel subsidies to mitigate the cost-of-living pressures increased, as did spending to address unexpected security-related challenges and damages associated with floods caused by heavy rains in late 2022. These, coupled with increased domestic arrears payments, put pressures on the budget and increased the non-oil primary deficit. Nonetheless, the authorities have taken bold fiscal measures amid high social needs—including hikes, since early 2023, to 30 percent in the price of gasoline at the pump and a presidential decree issued in May 2023 reducing budgetary expenditure ceilings to reverse the overruns observed in 2022.

The authorities remain committed to reducing fragilities, promoting strong, inclusive, and green growth, and ensuring that Congo plays its role in advancing the implementation of the regional CEMAC strategy. To this end, they will continue efforts to deepen structural and governance reforms, reduce infrastructure gaps, and step up investment in human capital while maintaining macroeconomic stability. These efforts should help attract private investments and diversify the economy away from the oil sector as envisaged under PND 2022-26. The authorities endeavor to implement policies compatible with external stability at the regional level.

RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

Recent Economic Developments

While lower than initially expected, economic growth picked up in 2022 relative to 2021. For 2021, GDP growth is estimated at 1.5 percent compared with 1.1 percent at the time of the second review. Growth for 2022 was revised downward to 1.7 percent from 2.8 percent, reflecting in part a contraction in oil output. On the demand side, government spending spurred consumption and investment.

Inflation turned out to be lower than previously projected. End-December 2022 inflation is estimated at 3.2 percent year-on-year while average inflation for the year was 3 percent compared with 3.5 percent projected at the time of the second review. Administered prices and a tighter regional monetary policy stance contributed to containing inflation despite high import prices.

The increase in oil prices in 2022 has had a positive impact on the overall fiscal balance and on external sector indicators. Higher oil prices resulted in a better-than-anticipated performance of oil revenue and an improvement of the fiscal surplus. In the external sector, higher oil prices boosted oil exports, strengthening the current account surplus despite a higher import bill associated with the repercussions of the war in Ukraine. The surplus facilitated external debt service, including the clearance of all external arrears to official creditors.

The banking sector has remained relatively sound. The government's repayment of domestic arrears has provided additional liquidity to the private sector and the economic activity has contributed to stabilizing non-performing loans. This liquidity, together with an expansion of deposits in commercial banks, have in turn supported a rise in private sector credit.

Program Performance

Program performance during the period under review was mixed, owing in part to the need to address the challenges from a difficult external environment. As noted above, outcomes relative to end-December 2022 targets were adversely affected by the authorities' scaling up of food and fuel subsidies amid rising costs of living to shield the population from the impact of high global oil prices on domestic prices. On the other hand, the authorities have stepped up the repayments of domestic debt arrears, notably related to pensions. As a consequence, two of the five end-December 2022 quantitative performance criteria (QPC) were not met, including the floor on basic non-oil primary balance and the net domestic financing of the central government. The continuous QPC on the non-accumulation of new arrears on external debt contracted or guaranteed by the government was not met at end-March 2023 as a result of a two-month delay in paying a bilateral creditor owing to communication issues. Three out of five end-December indicative targets (IT) were met. The IT related to the floor on non-oil revenue was missed owing to the underperformance of VAT collection while the floor on social spending was missed as necessary higher food and fuel subsidies and spending on goods and services squeezed resources for items covered by the program definition of social spending.

In the structural areas, one out of the three end-December structural benchmarks (SB) was met, one measure was implemented with delay, and the third one was partially implemented. First, the SB related to the procurement planning template was met. Second, the inventory of tax arrears with credible probabilities of recovery and a detailed strategy to support the collection process were completed also but after the due date. Third, the entry distribution prices (EDP) pricing formula was updated in time but did not account for improvements in the operating efficiency of the Congolaise de Raffinage (CORAF) over the past three years. As for end-March 2023, one of the two SB, the publication of the 2021 annual debt report, was met, whereas the second SB, the establishment of public cadaster systems in forestry and mining was not met as the existing cadasters have incomplete data and have not been published online yet.

The authorities have taken corrective actions to strengthen performance for the achievement of the program objectives, with additional proof of strong commitment from the highest level of government. The measures aimed at strengthening fiscal performance have been codified in a presidential decree signed in May 2023 setting lower limits for public expenditures, effectively revising the 2023 budget to reverse the 2022 fiscal overruns. Continuing the deregulation of fuel prices that started in January 2023 with an initial 5 to 7- percent increase in gasoline and diesel prices, the authorities have recently announced a 24 percent in gasoline prices, with effect on July 15, 2023. This measure brings total gasoline price increase since the beginning of the year to 30 percent for the year 2023, meeting the authorities' commitment for 2023 under the program ahead of schedule. This allows to offset the temporary fiscal cost of delaying a concurrent adjustment in diesel prices that would have most impacted the poorest households. Other measures in the fiscal area include the expected payment of dividends by the Société Nationale des Pétroles du Congo (SNPC) to the tune of at least CFAF 10 billion (0.2 percent of non-oil GDP), the elimination of VAT and customs duty exemptions received by SNPC, the requirement that CORAF charges VAT on its sales, and the enforcement of tax compliance through preventive actions and sanctions.

Other additional measures the authorities have taken relate to debt management. The authorities are acting on their commitment to avoiding the accumulation of new arrears, domestic or external. They have established a task force in charge of ensuring that any debt falling due is paid on time. While reaffirming their objective to fully repay all domestic arrears by 2031, the authorities note that ongoing audits could undermine their efforts. Just as a re-examination of arrears that had been rejected by a previous audit has uncovered a social debt of FCFA 360 billion (around 4 percent of GDP) to be added to the 2023 stock, ongoing audits could reveal additional arrears.

THE OUTLOOK AND POLICIES FOR 2023 AND BEYOND

Outlook and Risks

Overall, the outlook for key macroeconomic indicators is favorable. At 4 percent, GDP growth for 2023 remains broadly as projected at the time of the second review. Its rebound from 1.7 percent in 2022 is predicated on a pickup in oil production and an increase in non-oil output, particularly agriculture and social services. Medium-term growth is also projected at 4 percent. Growth in the nonoil sector, expected at 4.5 percent during 2024–28, will be sustained by the implementation of structural reforms contained in the PND 2022–26 that would facilitate the diversification of the economy. Medium-term average inflation is expected to remain close to 3 percent, consistent with the CEMAC inflation targets.
The external sector may experience some pressures, as reduced oil exports and a higher import bill would result in a current account deficit by 2025. These pressures would likely be mitigated by a lower external debt service and a gradual rise in non-oil exports as the implementation of the economic diversification strategy progresses.

There are important risks to the outlook that are tilted to the downside, mostly related to exogenous events. Downside risks include spillovers from intensified regional conflicts, protracted war in Ukraine, adverse weather-related shocks, lower global oil prices, and tighter financial conditions. Risks of policy slippages are mitigated by the authorities' renewed commitment to the program, notably at the highest level of government. On the upside, rapid reform implementation could attract private investment and financial assistance from development partners, raise productivity, and boost economic growth. Potential discovery of new low-cost gas and oil fields would boost output and budgetary revenue while high fertilizer and metal prices could increase mining investment in the Republic of Congo's potash basin. Also, preservation of the rainforest and afforestation of the country's part of the Congo Basin may facilitate foreign private financing, such as carbon credits and environmental, social, and governance (ESG) bonds.

Fiscal Policy and Reforms

The authorities remain committed to a growth-friendly fiscal consolidation that balances the fiscal and debt sustainability objective with the protection of vulnerable segments of the population. In 2023, the non-oil primary balance is projected to increase by nearly 5 percentage points of GDP. This projected improvement is predicated on better domestic revenue mobilization; higher dividend payments made on a timely basis by state-owned enterprises (SOEs), including SNPC; increased oil-related VAT and customs duties payments and collection; and the progressive phasing out of fuel subsidies with the deregulation of fuel prices (except for those for kerosene and butane gas). For the medium-term, the non-oil primary deficit is projected to improve by 10 percentage points of nonoil GDP (6.3 percent of GDP) by 2028 to 5.7 percent of GDP. The performance is grounded on both improved revenue mobilization and expenditure restraint. On the expenditure side, the wage bill will be contained, and expenditure control will be strengthened. This will free up fiscal space for the increase in targeted social spending and for contribution to the buildup of reserves at the regional level.

A stronger reform momentum will support the fiscal consolidation outlined above and the economic diversification agenda. The main reforms would cover debt management, public investment, and broader public financial management (PFM) as well as governance. Reforms in debt consist of enhancing the transparency and traceability of debt operations, containing borrowing costs, and maintaining maturities at manageable levels. The authorities understand that progress in reforms on project planning, procurement procedures, and PFM, including on cash management and the Treasury Single Account (TSA), is essential to warrant the efficient use of public resources, promote transparency in budget execution, and achieve a comprehensive monitoring of public revenue collection and spending. The diversification of the economy would hinge on reforms aimed at strengthening the business environment, reforming SOEs, and combatting corruption, and increasing the efficiency of the financial sector. These reforms are also promoted at the regional level.

Structural Reforms

The authorities remain determined to closely coordinate their economic policies with those of the other CEMAC countries in the context of the regional economic and financial reform program (PREF-CEMAC). These reforms aim to improve the living standards of a young and fast-growing population by creating job opportunities. To this end, the main pillars of PREF-

CEMAC are (i) a deepening of 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) improved transparency in public finances and in the oil and gas sectors, (iv) strengthened domestic revenue mobilization, (v) reinforced governance, and (vi) reforms that promote private sector development. PND 2022-26 is in line with the regional reform strategy.

Advancing reforms to tackle the climate change challenges is high on the Congolese authorities' development agenda. Congo is among countries most vulnerable to climate change. Increasingly frequent heavy rains have been associated with severe floods that damage infrastructure, homes, livestock, and crops, thereby exacerbating food insecurity and poverty. The authorities' 2022–26 National Development Plan is being aligned with their climate strategy. In the current ECF-supported program, they will implement reforms aimed at integrating climate aspects in project selection and improving practices in project execution. They will implement measures aimed at addressing weaknesses identified by the recent climate public investment management assessment (C-PIMA), some of which are included in the program as structural benchmarks. The authorities will continue their efforts to preserve the rainforest and promote the efficient exploitation of water resources in the Congo Basin. These efforts will require large financing. They had expressed interest in IMF assistance under the Resilience and Sustainability Facility (RSF), which would catalyze financing from other partners and private investors. They hope they can count on the Fund's swift consideration of an RSF for this fragile country exposed to climate shocks while being in the midst of an important global public good, the Congo Basin, which needs to be urgently preserved.

CONCLUSION

While program performance during the period under review was mixed, owing primarily to the budgetary response to adverse shocks, the authorities remain committed to the program and to advancing their development agenda. They have taken necessary remedial actions to strengthen program performance. They have reiterated their commitment to the program's policies and structural reform agenda, including improvement in governance and the continued progressive deregulation of fuel prices to eliminate untargeted subsidies while protecting the most vulnerable segments of the population. The authorities continue to value IMF's financial support and technical assistance highly. They are requesting the completion of the third review under the ECF-supported program and approval of the related decisions. We would greatly appreciate Executive Directors' favorable consideration of these requests.