INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/2

REPUBLIC OF CONGO

January 2024

FOURTH 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; DEBT SUSTAINABILITY ANALYSIS; SUPPLEMENTARY INFORMATION; AND STATEMENT BY THE EXECUTIVE DIRECTOR

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 December 20, 2023, following discussions that ended on November 2, 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 December 5, 2023
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Staff Supplement** updating information on recent developments.
- 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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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR23/470

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

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the fourth review under the Extended Credit Facility, allowing for an immediate disbursement of SDR 32.4 million (about US$ 43 million)
- Economic recovery gained momentum amid challenges from inflationary pressure and an uncertain global environment. Program performance was broadly satisfactory, but structural reforms experienced delays.
- Sustained reform implementation spanning public financial and debt management, governance, and transparency will be critical to attaining higher, more resilient, and inclusive growth.

Washington, DC – **December 20, 2023:** The Executive Board of the International Monetary Fund (IMF) completed today the fourth review of the Republic of Congo's arrangement under the 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 259.2 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 inflation, including food, volatile oil prices and tightening financial conditions.

Program performance was broadly satisfactory, but structural reforms experienced delays. The authorities addressed the breach of performance criteria related to the fiscal position and debt service management, for which waivers for non-observance were granted, with strong corrective actions. Two reform benchmarks aiming for more transparency, higher fiscal revenues, and improved public investment management have been completed with delay, while efforts are being made to prop up better execution of social spending.

Fiscal policy remains focused on reducing fragilities while enhancing debt sustainability. Recent progress in fuel subsidy reform and the authorities' commitment to pursue fiscal consolidation in 2024 are commendable. Resources freed from reduced oil-related transfers, together with improved domestic revenue mobilization, will help accelerate development spending and increase social expenditures targeted at vulnerable groups.

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, supported by higher oil revenues, robust non-oil growth and gradual reform implementation. However, substantial risks–including from potential escalation of regional conflicts, climate shocks, oil price volatility, lower oil production, and slower reform implementation–remain. While inflation has picked up, global disinflation and appropriate regional monetary policy are expected to guide it back to target level. Amid the uncertain global environment, the authorities reiterated their commitment to pursuing higher, more resilient, and inclusive growth while maintaining macroeconomic stability and debt sustainability.

"Program performance was broadly satisfactory. Most end-June 2023 quantitative performance criteria were met. However, the end-June performance criterion on the non-oil primary balance was narrowly missed, and the continuous zero ceiling performance criterion on new external arrears was breached by instances of delayed debt service. Progress in advancing structural reforms has also continued, albeit with some delays. Strong corrective actions have been taken to strengthen program performance.

"The authorities are encouraged to continue advancing fiscal consolidation, while stepping up social and development spending. Key measures include continued streamlining of fuel subsidies coupled with enhanced social assistance targeted to the vulnerable, broadening of the tax base, and stepped-up collection of tax arrears. Improving execution of social spending is paramount.

"Strengthened management of public finances and debt will also be critical to ensure debt sustainability, avoid accumulation of new arrears, and improve the effectiveness of public spending. Finalizing the reorganization of the debt management office, improving information sharing and coordination on issues with debt service, and increasing transparency on public debt will be key.

"Much-needed economic diversification, founded in private investment, will hinge on deepening structural and governance reforms. In that context, improving transparency of public finances and the oil sector, further operationalizing the anti-corruption architecture, including improvements to the AML/CFT framework, will be pivotal. Raising financial inclusiveness, ensuring steadfast implementation of state-owned enterprise reforms, and adapting to risks emanating from climate change will also support inclusive and resilient growth."

INTERNATIONAL MONETARY FUND

REPUBLIC OF CONGO

December 5, 2023

FOURTH 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. The third review of a three-year Extended Credit Facility (ECF) arrangement (SDR 324 million, 200 percent of quota) was concluded on July 19, 2023. The momentum in economic growth continues, while rising production costs push up inflation. In the first half of 2023, overperformance in oil and non-oil revenue, combined with tighter budget execution, improved the non-oil primary fiscal deficit by 0.6 percent of non-oil GDP compared to the Third Review (CR 23/271). However, higher-than-expected external debt service—due to contractual contingencies to oil prices—tightened the adjusted target for the non-oil basic primary balance, implying a miss of the target by 0.9 percent of non-oil GDP. Congo also accumulated less deposits at BEAC than initially targeted. Despite external arrears remaining below the de-minimis threshold, public debt is assessed as sustainable but "in distress" due to frequent accumulation of new external arrears and uncertainty about the size of domestic arrears.

Outlook and risks. While in the short term both the non-oil and the oil sector will drive economic growth, the non-oil sector is poised to take over as dominating driver over the medium term, with diversification further deepening. The current account surplus will over the medium term turn to a deficit that will be funded growing longer term private sector investments. Currently elevated inflation is expected to ease gradually and return to the regional target of 3 percent in 2025. Risks point to the downside. Oil price volatility can complicate fiscal management. Escalation of regional conflicts around the globe could adversely impact investment, exports, imports, remittances, and inflation. Broader investment could slow with further interest rate hikes and tightening external financing conditions. Delays in fuel subsidy reforms could stall needed fiscal consolidation and the scaling-up of social spending. Sustainable growth will over the medium term depend on implementation of structural reforms.

Program performance. Program performance is broadly satisfactory, with three performance criteria out of five met (see context section). Concerning indicative targets (ITs), all but the social spending floor were met. The three structural benchmarks (SBs) due in June-September relating to increases in cash transfers of social programs, the stock-taking of VAT administration in the hydro-carbon sector, and the integration of climate aspects into the selection criteria for public investment projects were missed (with the latter two implemented with a delay and work continuing on the former). Progress towards all other SBs due end-December is underway.

Program strategy. The ECF arrangement continues to warrant fiscal consolidation over the medium term to reign in debt vulnerabilities. Reform priorities include measures to shore up non-oil revenues by phasing out tax exemptions, and on the expenditure side: the continued phasing out of fuel subsidies, the rationalization of current expenditures towards targeted social assistance and well-managed investment in key infrastructures. Strengthening PFM and debt management capacity, and improving transparency and governance are also key priorities. Waivers of non-observance are requested for the performance criteria that were not met based on corrective actions that include an acceleration of the reorganization of the debt management office. Modifications for some of the future quantitative program targets are also requested. Upon completion of the fourth review SDR 32.4 million ($43 million) will be available for disbursement to Congo.

Approved By
Vitaliy Kramarenko (AFR) and Fabian Valencia (SPR)

Discussions on the review for an ECF-supported program were held in Brazzaville during October 19 – November 2, 2023. The staff team comprised Mr. Kpodar (head), Ms. El Idrissi, Mr. Hespeler, Mr. Islam (all AFR), Mr. de Carvalho Filho (SPR), Mr. Kiendrebeogo (FAD) Ms. Zarazinski (LEG), Mr. Million (Resident Representative), and Mr. Nsongui Tonadio (local economist). Ms. Joseph and 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, Ms. Ebouka-Babackas, Minister of Planning, Statistics and Regional Integration, Hon. Mr. Mavoungou, President of the Economic, Finance and Budget Execution Control Commission of the National Assembly 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 deep-rooted economic and social fragilities underscore the critical importance of economic diversification, sustainable growth, and social development. Despite recent progress, poverty and inequality remain stubbornly high.[1] Ensuring a job-rich and inclusive growth requires sustained reforms aiming to improve public infrastructure, social services, and governance. Through underpinning fiscal discipline and improved debt management, the Fund-supported program under Extended Credit Facility (ECF) aims to address the risk that Congo's high debt levels and the associated burden of debt service (¶14), weak revenue mobilization, and expected declines in oil revenues erode the fiscal space needed to step up pro-poor/pro-growth spending.

2. The government's priorities to tackle rising living costs and attenuate inflationary pressures, including from fuel price reforms, need to be reconciled with fiscal discipline. After large fiscal slippages in 2022, the 2023 budget marks the return to fiscal consolidation, underpinned by the implemented fuel price reforms. Stepped-up social assistance will help shield vulnerable groups from undesired adverse income effects of fuel price reforms in a more cost-effective way than untargeted tax exemptions. The authorities' 2024 budget aims for further consolidation with an emphasis on domestic revenue mobilization, including to strengthen buffers and support regional external stability objectives. Over the medium term, upgrading Congo's infrastructure and the transition to a better trained work force, consistent with the objective of the National Development Plan, will lay the foundation for future economic growth and diversification. Efforts to render the business environment more attractive and to scale up efficient investment into climate change mitigation and adaptation would naturally complement this reform agenda.

RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, AND RISKS

3. Economic growth gained further momentum. Economic growth is on track to reach 4 percent in 2023: 4.4 percent in the oil sector and 3.9 percent in the non-oil sector. Production in the oil sector picked up in the first semester (by about 4 percent year-on-year), as technical issues impeding production subsided. In the non-oil sector, the improvement in activity is broad-based, comprising agriculture, forestry, mining, beverage industries, utilities, and services. Nonetheless, production in the food industry was hampered by difficulties in sourcing raw materials in the context of high inputs costs.

4. Persistent inflationary pressures. Annual inflation rose from 3.2 percent at end-2022 to 5.4 percent in September 2023, but remained below the average inflation within the CEMAC region. Inflation was driven by supply chain disruptions, rising input costs, including higher retail fuel prices, and lingering cost-push shocks from the recent increase in global commodity prices. Inflationary

[1] 46.6 percent of the population lived below the international extreme poverty line in 2022, with a Gini coefficient of 49, the second highest in the CEMAC region.

pressures from food price inflation have eased, as global food prices softened, and the government maintained custom duty and VAT exemptions for major staple foods.

5. **Preliminary data on the fiscal position at end-June 2023 came out better than anticipated in the third review under the ECF arrangement, reflecting improved revenue collection and tighter budget execution.** Buoyant non-oil revenues—driven by direct taxes and higher-than-expected dividends of CFAF 27 billion from the *Société Nationale des Pétroles du Congo* (SNPC)—and temperate primary expenditures brought the non-oil primary deficit for the first half of 2023 to CFAF 383 billion, 0.6 percent of non-oil GDP less than projected in the Third Review (CR 23/271) (Text Table 1). Robust oil prices generated higher oil revenues than initially forecasted but failed to benefit the accumulation of government deposits at the central bank due to the heavy debt service.

Text Table 1: Republic of Congo: Fiscal Performance, end-June 2023
(CFAF billion)

	End-June 2023 (CR23/271)	End-June 2023 (Prel.)	Change vs. CR23/271
Revenues	**1042.0**	**1167.7**	**125.6**
Oil revenues	607.7	697.8	90.2
Non-oil revenue	415.1	444.0	28.8
Direct taxes	178.3	206.2	27.9
Taxes on goods and services	144.3	125.6	-18.6
Customs receipts	68.4	67.0	-1.3
Non-tax revenue	24.2	45.1	20.9
Grants	19.2	25.9	6.7
Expenditure	**983.7**	**987.2**	**3.5**
Current expenditure	741.3	761.0	19.7
Wages	195.4	184.7	-10.7
Goods and services	102.6	111.0	8.4
Transfers	259.5	275.2	15.7
of which : Social transfers	73.8	72.6	-1.3
Oil-related transfers	54.4	42.6	-11.8
Other, including interest	315.0	350.1	35.1
Interest	129.2	134.4	5.2
Domestic	77.7	67.4	-10.3
External	51.5	67.0	15.5
Capital expenditure	242.5	226.3	-16.2
Domestically financed	102.0	92.6	-9.4
Externally financed	140.5	133.6	-6.8
Non-oil primary balance	**-420.1**	**-382.9**	**37.2**
Primary balance	**187.5**	**314.9**	**127.4**
Overall balance, cash basis	**58.3**	**180.5**	**122.2**

Sources: Congolese authorities, IMF staff estimates and projections

6. **The current account surplus moderated despite robust oil prices.** As the import bill increased and oil prices declined, the current account surplus is projected to ease to 3.1 percent of GDP in 2023, down from 18 percent of GDP in 2022.

7. **The banking system appears to be stable, but vulnerabilities persist.** At end-June 2023, the average capital adequacy ratio stood at 21 percent, above the CEMAC average, while liquid assets represented 36 percent of total assets, but there is divergence across banks. Non-performing loans (NPLs), however, remain elevated at 17 percent, despite the last two years' downward trend that was mainly driven by continued repayment of domestic arrears and state-owned enterprises' (SOE) debt. The banking system faces risks due to high exposures to sovereign debt and excessive credit concentration. The authorities agreed to sell Société Générale's Congolese subsidiary to BGFI Bank Congo, with COBAC's approval currently pending.[2] Despite continuing restructuring efforts—including recapitalization and activities' recentering to core businesses—two weak banks fail to meet

[2] The Société Générale Group decided to sell its subsidiaries in a few African countries as part of its regional strategy. Both banks, the one to be sold and the prospective purchaser, appear adequately capitalized.

the regulatory capital adequacy and liquidity requirements. The lack of accounting documents and reliable information continues to prevent the resolution of another weak bank.

8. After a sluggish first half of the year, growth in credit to the private sector has started to recover despite tight monetary conditions, with growth standing at 5.9 percent at end-August on a year-on-year basis. This reflected a slowdown in the strong government and public enterprises' borrowing observed in the first half of the year, freeing up available funds to the private sector.

9. The outlook is predicated on a growth-friendly consolidation and 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 reach 4 percent in 2023 and stabilize at about the same rate on average during 2024–28. Growth in the oil sector is projected to reach its peak in 2024, as new fields come online, and to decrease thereafter due to the maturing of oilfields. 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 the plans to increase social (health care, education) and infrastructure spending, continuing domestic arrears payments, and more effective reforms in governance and anti-corruption, 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.

- Inflation is expected to average 4.5 percent in 2023, and to subsequently ease to 3.6 percent in 2024 as the driving forces behind the recent inflation spike (¶4) abate. Over the medium term, inflation is projected to return to the regional target of 3 percent, driven by global disinflation and appropriately tight regional monetary policy. Higher global commodity prices if materialized imply upside risks to inflation.

- The current account surplus will continue to soften, turning into a deficit by 2026—reflecting moderating oil exports and growing imports supporting non-oil investment.

10. Risks are tilted to the downside (Annex I). 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. Fuel price subsidies could, if reestablished, undermine fiscal sustainability, reduce scope for essential social and investment spending, and distort private investment decisions, hampering economic diversification. On the upside, rapid reform implementation could boost support by development partners, raise productivity, and consequently notch up economic growth. Preservation and afforestation of the Republic of Congo's share of the Congo Basin may facilitate foreign financing, such as carbon credits.

PROGRAM PERFORMANCE

11. Program performance is broadly satisfactory, with most end-June 2023 program performance criteria (PC) met. Although the basic non-oil primary balance came out comfortably below the unadjusted program target (by 0.6 percent of non-oil GDP), the adjusted target for end-June 2023 was missed by 0.9 percent of non-oil GDP, mainly on account of higher-than-expected reported external debt service, driven by its contingency on oil prices. Similarly, the continuous PC on non-accumulation of external arrears was breached, as new arrears have emerged since June 30, 2023. Waivers of non-observance for these missed PCs were requested based on corrective actions, which include: (i) accelerated implementation of the reorganization plan of the debt management office to address capacity issues (Caisse Congolaise d'Amortissement) (CCA) (structural benchmarks (SB) end-December 2023 and end-Mach 2024);[3] and (ii) swift repayment of newly accumulated external arrears that were owed to several external creditors, which was achieved by late October 2023. On the positive side, the PC on net domestic financing of the central government was met at end-June 2023, so are the ones on new non-concessional or collateralized external debt. Standard continuous performance criteria related to Article VIII of the Fund's Articles of Agreement (Technical Memorandum of Understanding (TMU) ¶5) were all met.

12. Concerning indicative targets (ITs), all but the one on social spending were met. Congo's social and poverty-reducing spending remained by end-June 2023 below the minimal target value prescribed for this date, in fact only reaching less than 60 percent of the target. Reasons included the slow release of resources allocated to the health system and social infrastructure investments, delays in the planned increases of the cash transfers included in various social programs, and back-loaded execution of budget plans (Table 15). All other ITs, namely the limit on disbursements of external loans for investment projects, the limit on new concessional debt, the floor for non-oil revenues, and repayment of domestic arrears were met.

13. The implementation of structural reforms experienced further delays, although the authorities are working toward catching up with missed SBs. The three SBs requiring a comprehensive stock-taking of the hydrocarbon-related value-added tax (VAT) administration (June 2023), the increase of resources made available to social cash transfer programs (July 2023), and the integration of a climate dimension within the selection criteria for public investment projects (September 2023) have not been met, reflecting capacity constraints in selected government bodies. However, the authorities managed to complete the first and third SBs in November 2023, and work is still ongoing on the second SB. The implementation of the SBs related to the formalization of a standard methodology for the assessment of investment projects (December 2023) and the approval of the new CCA organigram by the Council of Ministers and subsequent submission to parliament (December 2023)—the latter also being part of corrective actions addressing the breach of PCs—

[3] Oil prices exceeded initial expectation and led to inadequate estimates for oil price contingent debt service due to oil traders. Corrective actions adequate to improve the capacities of the debt management office—including an accelerated switch to the new CCA organigram by end-December 2023 and allocation and training of staff as well as adopting the new operations manual by end-March 2024—should hence provide a first line of mitigation.

remain on track, whereas the one on the enactment of a single legislation integrating hydrocarbon-related VAT laws (December 2023) has been reformulated and delayed to end-March 2024, pending IMF technical assistance.

POLICY DISCUSSIONS

Discussions focused on (i) steps needed to create fiscal space, including fuel price reforms and a 2024 budget consistent with the program parameters; (ii) the recognition of additional social arrears and lingering shortcomings in debt management; and (iii) Congo's support for the regional strategy for international reserves accumulation. Maintaining fiscal discipline and strengthening reform momentum, especially in the management of public finances and debt, as well as reform implementation in governance, anti-corruption, and anti-money laundering and combating the financing of terrorism (AML/CFT) remain imperative for continued success of the ECF arrangement.

A. Fiscal Policy

14. Fiscal policy should continue to enhance external and fiscal sustainability while supporting higher, more resilient, and inclusive growth.

- The authorities committed to considerable medium-term fiscal consolidation that is expected to facilitate the reduction of external debt and the repayment of domestic arrears—permitting public debt to decline from 92.5 to 69.8 percent of GDP between 2022 and 2028. Significant oil revenues will continue to support this trajectory in the short run. Reprioritized spending and non-oil revenue mobilization in the 2023 and 2024 budgets will provide the momentum for the necessary medium-term fiscal consolidation while supporting economic growth and development. The share of spending on social assistance, healthcare, education, and other development is poised to increase, while maintaining the total spending envelope for 2023, especially for current expenditures. The fiscal space for development spending will be further augmented by reducing oil-related transfers—in 2023 thanks to the implemented fuel price adjustments, and later with an automatic adjustment mechanism—and gradually scaling back tax and customs exemptions under the Resilience Plan, which are estimated at 3.8 percent of GDP, especially starting in 2024. Growth of non-oil revenues—supported by non-oil economic growth and revenue-enhancing measures (¶15)—should also drive improvements in the non-oil primary fiscal balance.

- Debt continues to be assessed as "sustainable", though it is classified as "in distress" due to recurrent instances of temporary accumulation of new external arrears, even if typically repaid soon thereafter, and uncertainty about the magnitude of valid domestic arrears. Progress in the repayment of legacy external arrears repayments continued, with $45 million in external arrears owed to multilateral, bilateral and commercial suppliers remaining yet unresolved as of end-June 2023 (see ¶29). Although the external debt stock is declining steeply, new accumulation of external arrears raises concerns about deep-seated gaps in debt management, which the authorities are committed to address swiftly (¶19 and ¶28).

Continued occurrence of delayed payments on external debt service since July 2023 resulted in a breach of the continuous PC on non-accumulation of external arrears. Margins in the quantification of domestic arrears remain sizeable and imply risks to domestic debt, as results of domestic arrears audits continue to evolve over time, and contingent liabilities of the underfunded social security system (Caisse Nationale de Securite Sociale, CNSS) and SOEs in general remain a potential strain on public finances.[4]

- Congo continues to maintain an escrow account that serves as prefunded source for future debt service to its largest bilateral creditor, with respective payments to the account funded by Congo’s government. However, as agreed by the authorities, any excess balances should be repatriated to reduce sizeable implicit funding costs and prop available liquidity for treasury operations.[5]

Text Table 2. Republic of Congo: Fiscal Performance, 2023–2024

(Percent of non-oil GDP)

	2022 (Prel.)	2023 (CR23/271)	2023 (Proj.)	Change vs. 2022	Change vs. CR23/271	2024 (Proj.)	Change vs. 2023
Revenues	**44.9**	**34.6**	**34.6**	**-10.3**	**0.0**	**34.7**	**0.1**
Oil revenues	32.1	20.4	20.4	-11.7	0.0	20.1	-0.3
Non-oil revenue	12.0	13.1	13.2	1.2	0.0	13.8	0.6
Direct taxes	4.7	4.8	5.3	0.5	0.4	5.4	0.1
Taxes on goods and services	4.1	4.7	4.8	0.7	0.1	5.0	0.2
Customs receipts	2.3	2.5	2.1	-0.2	-0.4	2.5	0.4
Non-tax revenue	0.9	1.1	1.0	0.1	0.0	0.9	-0.1
Grants	0.9	1.1	1.1	0.2	0.0	0.8	-0.3
Expenditure	**32.3**	**29.4**	**30.1**	**-2.2**	**0.7**	**28.1**	**-2.0**
Current expenditure	27.1	22.8	23.5	-3.6	0.7	21.7	-1.8
Wages	6.2	6.1	6.1	-0.1	0.0	6.1	0.0
Goods and services	3.5	2.9	2.8	-0.7	0.0	2.6	-0.2
Social transfers	2.3	2.7	2.8	0.4	0.1	3.1	0.3
Oil-related transfers	5.1	2.3	2.3	-2.7	0.0	0.7	-1.7
Other, including interest	10.1	8.7	9.4	-0.6	0.7	9.3	-0.2
Capital expenditure	5.1	6.6	6.6	1.5	0.0	6.4	-0.2
Non-oil primary balance	**-15.7**	**-11.8**	**-11.7**	**4.0**	**0.1**	**-9.8**	**1.8**
Primary balance	**16.4**	**8.6**	**8.7**	**-7.7**	**0.1**	**10.3**	**1.6**
Overall balance, cash basis	**12.6**	**5.2**	**4.6**	**-8.1**	**-0.7**	**6.6**	**2.1**

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

[4] Newly recognized social security debt amounting to CFAF 269 billion (4 percent of non-oil GDP) has been funded through treasury issuance.

[5] Excess balances are not required by contractual obligations.

15. The authorities concurred that the revised 2023 budget remains appropriate, while, contingent on an adequate build-up of buffers, any additional fiscal space should be directed to the execution of social spending. Revenue and spending measures need to be fully implemented to underpin achievement of the non-oil primary deficit of 11.7 percent of non-oil GDP in 2023, thereby ensuring that the program still can achieve its medium-term objective to bring public debt back to less vulnerable levels. The consolidation of 4 percentage points of non-oil GDP relative to 2022 would be driven by 1.2 percent of non-oil GDP improvement in non-oil revenue (largely reflected in the revised 2023 budget), combined with the 2023 reduction in fuel subsidies (2.7 percent of non-oil GDP) (Text Table 2). Increased non-oil revenues reflect scaled-up efforts to collect direct and indirect taxes. In more detail, measures underpinning the 2023 deficit target and, going forward, in the medium term, include the following:

- The phasing-out of fuel subsidies continued: to fully achieve the fuel price increase of 30 percent targeted for 2023, diesel prices were increased in November 2023 by 25 percent, following the year's earlier fuel price increases of 30 percent for gasoline and 5 percent for diesel. Accelerated implementation of mitigation measures alleviating related inflationary repercussions on vulnerable households, flanked by public engagement efforts, will help soften CSOs' and unions' opposition to the reform that has lately intensified on the back of continued rising living costs (MEFP ¶8).[6]
    - The fuel price adjustments implemented in 2023 have aligned domestic gasoline and diesel fuel prices with international practices both for retail and industrial clients. For the future, the authorities commit to an IMF TA-supported review of the fuel pricing formula and the implementation of an automatic pricing mechanism with smoothing. Once potential cost savings are identified and the necessary institutional setting for the rollout of the automatic pricing mechanism is in place, any remaining fuel price increase to achieve full cost recovery could be implemented within the automatic pricing mechanism.[7] In the meantime, the authorities agree to take the opportunity to address the bottlenecks to scaling up well-targeted social assistance, e.g., by leveraging the Single Social Register (MEFP ¶9).
    - Government revenues collected as part of the retail fuel price formula should continue to be deposited in an on-budget, transparent, and monitorable account accessible to the treasury.
    - The authorities agree to reprioritize resources freed up by the elimination of fuel price subsidies (2.7 percent of non-oil GDP for 2023) to social spending targeted at vulnerable groups (0.4 percent of non-oil GDP, including measures targeting public

[6] In addition, political support to the reform may have declined amid concerns about potential spillovers from the coup d'état in Gabon.

[7] At current oil prices, no explicit fuel subsidies are foreseen from 2024 onwards.

transportation) and capital spending (1.5 percent of non-oil GDP), providing a positive impulse to inclusive growth while still achieving fiscal consolidation. Downscaled goods and service consumption (0.7 percent of non-oil GDP) will deliver additional support for efforts to lower the non-oil primary fiscal deficit.

- To strengthen indirect tax revenues, the authorities commit to the process of eliminating value-added tax (VAT) and customs duty exemptions for SNPC and ensuring that Congolaise de Raffinage (CORAF) fully charges VAT on its sales (¶8 MEFP). The comprehensive stock-taking of hydrocarbon-related VAT administration (end-June 2023 SB) has been completed with delay. The revision and simplification of hydrocarbon-related VAT tax laws is progressing with the World Bank and IMF jointly supporting the authorities though technical assistance (SB, Table 13a). However, the authorities noted that there remain legal challenges to a single VAT legislation for both the upstream and downstream hydrocarbon sector, hence the reformulated benchmark and the deadline extension is to take into account recommendations from a prospective IMF TA.

- The scaling back of customs duty exemptions granted under the resilience plan is expected to strengthen custom revenues by 0.2 percent of GDP in the last quarter of 2023 and by 0.5 percent of GDP in 2024. The full phasing out of the Resilience Plan could yield additional revenues of 4 percent of non-oil GDP.

- As of June 2023, SNPC paid CFAF 27 billion dividends for the business year 2022, CFAF 17 billion more than projected in the initial 2023 budget. Extending the practice of regular dividend payments and their transparent evaluation in accounting audits to other SOEs could shore up additional revenues supporting the government’s budget.

- The authorities commit to reinforce social and development spending, especially in targeted social assistance, health care and sanitation, education, and agriculture, aiming to compensate for the sizeable shortfall experienced in the first half of 2023 (missed end-June IT), as well as the respective SB missed at end July. While adequate resources were assigned to the social cash transfer program Lisungi, respective execution is delayed.

- Intensify the efforts to raise the stock of government deposits at the Bank of Central African States (BEAC) relative to 2022. Despite robust oil revenues, Congo’s deposits fell in the 8 months of 2023 by CFAF 110 billion, reflecting heavy debt service, which may continue throughout the year.

- Finalize the takeover of Société Générale’s local subsidiary by BGFI Congo to avoid a de facto nationalization of the bank (respective costs estimated at CFAF 20 billion). The authorities selected BGFI Congo since as a commercial bank, it is subject to adequate prudential regulation and AML/CFT regulation and supervision. The authorities committed that during the sale, applicable CEMAC laws and regulations are complied with, including proper examination of the case by the COBAC from a prudential, operational, and risk-based perspective and AML/CFT.

16. Fiscal consolidation should continue in 2024 with a non-oil primary balance target of 9.8 percent of non-oil GDP. The submission to parliament of a 2024 budget law consistent with this target (prior action), and its approval, will reinforce the authorities' commitment to fiscal consolidation with the view to safeguarding debt sustainability, a key objective of the Fund-supported program. The implied fiscal tightening of 1.8 percent of non-oil GDP relative to 2023 will be possible due to the continued scaling down of fuel subsidies (1.7 percent of non-oil GDP, generated by the 2023 fuel price reforms) and strengthened non-oil revenues (0.6 percent of non-oil GDP), the latter predominantly driven by higher customs and tax revenues.[8] The program targets a slightly higher 2024 non-oil primary balance than CR 23/271 to accommodate mitigating measures for the diesel price increase authorities: it facilitates an additional 0.3 percent of non-oil GDP spending dedicated to urban transportation, 0.1 percent of non-oil GDP allocated to expanding rural roads, and 0.3 percent of non-oil GDP to social transfers. On the expenditure side, the continuation of the fuel subsidy reforms in 2024, and rationalization of good and services spending will support fiscal consolidation (MEFP ¶11). Financing risks on domestic markets remain elevated, with the absorption capacity of regional financial markets showing signs of limitations, the costs of domestic financing increasing at the longer end of the yield curve, and the potential for materialization of contingent liabilities remaining high.

17. Perseverance with structural reforms will promote medium-term fiscal consolidation. The continuation of measures implemented during 2019–23 is expected to reduce the non-oil primary deficit from 15.7 to 5.4 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 that authorities agreed to, are essential (MEFP ¶12). New fiscal commitments need to be fully funded within the existing envelope, while preannouncement of treasury securities issuance will enhance fiscal planning and promote debt transparency and domestic financial markets development.
The realistic assessment of revenues to be raised through dividends and taxes on non-hydrocarbon SOEs, the streamlining of respective tax exemptions (including in mining and hydrocarbon VAT), the recovery of tax arrears, expanding the tax base to informal taxpayers and increased excise taxes—aligning those with CEMAC guidelines—can help generate additional (on top of the baseline projection) revenues in 2024 as well as over the medium term. The authorities will also continue to improve non-oil tax compliance, including for SOEs, through preventive actions (shorter notification periods, improved IT systems, more effective control visits) and sanctions (e.g., exclusion from payment system, asset seizure). Digitalizing tax revenue administration, streamlining custom clearance processes and transit procedures, and improving management and audit in the non-

[8] The removal of customs duty exemptions on basic food items granted under the Resilience Plan and the modernization of scanning processes are expected to boost custom collection by 0.4 percent of non-oil GDP. Direct tax and VAT revenues are expected to rise by 0.3 percent of non-oil GDP, including VAT on oil, as (i) excise taxes on luxury goods and tobacco in line with CEMAC directives will be applied; (ii) the use of the NIU for all commercial and financial transactions will expand the tax base to informal activities; and (iii) tax administration will be improved through the E-tax initiative and interconnecting tax and custom administrations.

hydrocarbon sector is likely to generate additional revenue through efficiency gains and a broader tax base.

B. Public Investment and Debt Management

18. Progress with domestic debt reduction is slowed by newly recognized arrears added to the existing debt stock. The authorities remain dedicated to reducing domestic debt, having allocated for the repayment of domestic arrears CFAF 431 billion (equivalent to 5 percent of GDP) in 2022 and an estimated CFAF 102 billion during the first half of 2023. Moreover, the multi-year domestic arrears payment plan shared with IMF and World Bank staff has been officially endorsed through a presidential decree. While these efforts are commendable, they are challenged by reevaluations in domestic arrears stocks with: (i) the recognition of CFAF 360 billion (4 percent of GDP) of new domestic social arrears (CR23/271); (ii) the potential inclusion of additional domestic arrears incurred over 2019-2022 that are currently being audited; and (iii) the recent issuance of additional CFAF 269 billion in domestic debt (3 percent of GDP) needed to fund previously unpaid social insurance contributions owed by public employers (local entities and SOEs) to CNSS.

19. Debt management reforms should promote coordination, transparency, and institutional efficiency. Recent payment delays highlight the need for enhanced progress in debt management capabilities. The accelerated restructuring of the debt management office CCA will help enhance its accountability and effectiveness (MEFP ¶7 and ¶21). Essential steps include finalizing the legal base for the reorganization (SB for end-December 2023, Table 13b), switching to the new organigram, allocating staff, and training them, and adopting the new operations manual (SB for end-March 2024, Table 13b). Improvements in debt recording and quality assurance for the single debt database continue, including the coverage of SOEs' 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 end-March 2024, Table 13a). To address deficiencies in information sharing and coordination across CCA, the Treasury, and BEAC, the task force created in March 2023 will be revamped to include members of higher seniority (MEFP ¶7).

20. Public investment management reforms improving practices in project execution and integrating climate aspects in project selection should accelerate. The recent climate public investment management assessment (C-PIMA) found weaknesses in public investment management, especially project execution. 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. The publication of criteria for investment project selection, also including climate dimensions, in November 2023 addressed the first issue (SB for end-September 2023, Table 13a). Recommendations for addressing the remaining issues encourage (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 13a); (ii) allocation of full program responsibilities to respective managers; (iii) capacity building concerning the design of effective tenders; (iv) warranting sufficient resource allocation to running projects; and (v) development of integrated IT system for project management to foster transparency and monitoring.

21. Maintaining momentum in the modernization of public financial management practices will enhance planning efficiency and transparency. Supported by Fund TA, the authorities have developed an action plan for completing the implementation of the financial management information system SIGFIP. By end-June 2024, SIGFIP's cash management, fiscal reporting, treasury, and procurement modules are expected to be fully operational (SB, Table 13a), while the program budgeting module should be implemented by end-2024 (MEFP ¶28). Without active engagement of the Treasury, however, implementation may stall, impeding progress in the comprehensive monitoring of public revenue collection and spending.

C. Governance, Anti-Corruption, and Transparency Reforms

22. Maintaining reform momentum in governance, anti-corruption, financial integrity, and transparency remains critical for the program's success.

- Efforts to enhance the single treasury account (TSA) continue but with some delays. Automatic transfer of oil export revenues to the TSA is expected to commence by June-2024 instead of March due to the extended process in finalizing the respective convention between BEAC and the Treasury. This will strengthen revenues collection and facilitate proper payment execution. Closing remaining government accounts in commercial banks, interconnecting information systems (across customs, the tax authorities, and the Treasury), and advancing towards a legal and regulatory framework for public private partnerships would enhance the efficiency and transparency of public finance management (MEFP ¶27).

- To strengthen transparency in public life and foster a culture of accountability and public participation, authorities continue to improve the institutional set-up. They have established a legal framework aligning the conflict-of-interest system with international best practices, which they plan to operationalize gradually, including by requiring the submission of conflict-of-interest declarations for high-level officials and their publication by the HALC (SB end-April 2024, Table 13a). Provisioning sufficient resources to the anti-corruption and transparency commissions will strengthen the effectiveness of the anti-corruption law (MEFP ¶32, ¶34). Their annual reports and operations will continue to be published as required by law. Authorities are encouraged to 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 (MEFP ¶34). 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 important to improve efficiency and transparency in public financial management (PFM). Supported by Fund TA, authorities will take stock of the progress against recommendations from the 2018 governance diagnostic report and develop a respective action plan (SB end-June 2024). This will identify areas for improvement, including those related to the rule of law and transparency. An action plan for strengthening AML/CFT will be also developed, building upon the recommendations from Congo's recently published Mutual Evaluation Report of the Action Group against Money Laundering in Central Africa (GABAC) (MEFP ¶31). The recent passing of a law reforming the powers and organization of the Court of Auditors and Budgetary Discipline (CABD) will further promote transparency concerning public finances, in particular once its implementation has been completed.

- To enhance transparency in natural resource management, authorities remain committed to establish fully EITI compliant mining and forestry cadasters by mid-2024 (MEFP ¶30). They also committed to regularly publish audit reports for SNPC and CORAF as well as Congo's EITI reports, with the publication of the 2021 and 2022 reports expected by December 2023, and (MEFP ¶29).

D. Climate Change

23. Recognizing the high vulnerability of Congo to climate change, the authorities have confirmed their interest in requesting funding from the Resilience and Sustainability Facility (RSF) to support reforms in the climate area. Discussions with the authorities will prepare the ground for leveraging the recommendations of the C-PIMA and Country Climate and Development Report (CCDR) to identify reforms that would be suitable to enhance Congo's ongoing structural reform agenda to address the mitigation of and adaptation to climate change and its impacts (Annex II). A coherent set of concrete mitigation or adaptation strategies is critical to overcome the socioeconomic challenges generated by exposure to rising sea levels, climbing average temperatures and more erratic rainfall patterns—including threats to infrastructure due to rising flooding risks, reduced productivity due to heat-related labor time loss, and reduced productivity and diversification potential in agriculture. Efforts to enhance public financial management are underway, e.g., through the integration of climate aspects into respective management practices (SB September 2023).

PROGRAM MODALITIES AND OTHER ISSUES

24. 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, is critical for implementing reforms and building buffers, given large uncertainties surrounding oil revenues and the global economic environment, and for efforts to ensure regional stability through accumulation of CEMAC's NFA, thereby supporting Congo's Balance of Payment needs.

25. 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 one prior action (Table 14). It is proposed that the end-

December 2023 PCs on net domestic financing and the end-June 2024 PCS on the basic primary non-oil fiscal balance and net domestic financing be adjusted based on latest macroeconomic projections. The authorities committed to submit a 2024 budget targeting a primary non-oil deficit of 9.8 percent of non-oil GDP to parliament (prior action). The measure will support fiscal consolidation, protect public resources, and improve transparency and governance. New SBs on (i) endorsing a new CCA organigram by end-December 2023; and (ii) completion of CCA's reorganization by end-March 2024 (Table 13b) are designed to improve transparency and manage debt-related risks. In support of their request for waivers for the missed PCs, the authorities committed to appropriate corrective actions (¶11).

26. 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 million, 3.1 percent of GDP) in 2024. Debt service to the Fund peaks at 0.5 percent of GDP and 2 percent of revenues (excluding grants) in 2029 and 23 percent of total external debt service in 2030, at manageable levels considering the decline in total external debt service. The IMF's share of total external debt remains below 10 percent (Text Table 4). Congo's total outstanding Fund credit remains close to or below the median of other countries with an UCT arrangement, while the shares of its debt service to the Fund in revenues excluding grants and in total external debt service are expected to exceed the average of its peer group considerably in between five and ten years ahead. The most significant risks include high oil price volatility and faltering commitment to fiscal and governance reforms. Nonetheless, these risks are mitigated by the authorities' strong track record of repaying the Fund, past implementation of nine Fund-supported programs, and progresses made under the current program, including fiscal consolidation and the successful reduction of external debt. Other risk mitigating factors include the authorities' commitment to continued implementation of fuel subsidy reforms accompanied by targeted social transfers.

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	**10123**	**9125**	**9559**	**9091**	**8802**	**8470**	**8190**
Current Account Deficit (excl. grants and oil exports)	6910	7247	7662	7779	7706	7570	7400
Amortization of PPG External Debt	1355	943	823	579	367	328	372
Other net financial flows	1891	594	782	515	475	187	-182
Net Change in Reserves, excluding SDR drawdown	-33	341	293	218	254	384	599
Financing Sources	**9839**	**8749**	**9256**	**9091**	**8802**	**8470**	**8190**
Oil Exports	9465	7628	8124	7802	7471	7195	6953
Grants	34	67	39	74	83	88	97
Other Transfers	96	123	99	115	127	139	90
Project Loans (disbursement)	162	273	257	270	281	214	223
FDI	82	658	737	830	841	834	826
Use of SDR Allocation	0	0	0	0	0	0	0
Financing Gap[1]	284	376	303	0	0	0	0
Budget Support[2]	102	203	216	0	0	0	0
IMF-ECF	173	174	87	0	0	0	0
Residual Gap	10	0	0	0	0	0	0
Memo items:							
IMF-ECF							
(in percent of total donor inflows)	46	29	18	…	…	…	…
(in percent of budget support and ECF financing)	63	46	29	…	…	…	…

Sources: BEAC; and IMF staff estimates and projections.

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

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

27. Safeguards assessment. The April 2022 safeguard assessment findings indicate 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. Staff is engaging with the BEAC on the implementation of outstanding recommendations.

28. Regional assurances. BEAC met its NFA target for end-June 2023 and provided updated policy assurances in support of CEMAC countries' Fund-supported programs. BEAC remains committed to maintaining an appropriate monetary policy stance: the central bank tightened monetary policy and liquidity conditions to anchor inflation expectations and support the build-up of external reserves. It will also continue enforcing consistently the foreign exchange regulations, including the surrender and repatriation requirements for the extractive sector. The review of regional policies and policy assurances will be discussed by the Executive Board on December 18, 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.

29. External Arrears. Due to incidents of missed debt service payments in the period since June 30, 2023, $20.2 million in new external arrears led to a temporary breach of the program PC on the non-accumulation of arrears.

- Since June 30, 2023, $8.4 million in additional new external arrears in breach of the program PC have accumulated to three official creditors. All components of these arrears were repaid by end-September 2023. Since early July, $11.8 million in new external arrears to a commercial bank accumulated but were subsequently repaid in October 2023. In two additional incidents, $5.6 million in new external arrears to official multilateral creditors were accumulated but were repaid within less than thirty calendar days.[9]

Meanwhile, Congo further reduced its external legacy arrears to official creditors, with two uncontested arrears claims to commercial creditors remaining open:

- Discussions to resolve outstanding $27 million (including interest payments) in legacy arrears to India are progressing.[10] Following the LIOA policy, staff has obtained from the Executive Director (ED) representing India consent to Fund financing notwithstanding the arrears owed to their government.
- Legacy arrears to Russia and Brazil have both been resolved through mutual agreement in principle on how to handle repayment since 2022Q4. The authorities continue efforts to resolve remaining pre-HIPC bilateral arrears in the amount of $113 million owed to Angola.
- The authorities remain engaged in good faith discussions with one remaining commercial creditor to resolve arrears of $15 million. Together with prompt Fund financial support considered essential for the successful implementation of Congo's program, the Fund may provide financing to Congo notwithstanding its external arrears to commercial creditors.
- The authorities contest $266 million of arrears owed to a supplier as part of a broader litigation case[11]; and have requested HIPC treatment for another $93 million of commercial pre-HIPC arrears.

30. Financing assurances reviews will continue to be conducted at each review of the ECF arrangement until external sovereign and commercial arrears are cleared. The LIA and LIOA policies are met with respect to external arrears, adequate safeguards remain in place for the further

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[9] Considering the 30-day grace period these arrears qualify as technical and are not considered as a breach of the continuous quantitative performance criteria on the non-accumulation of new external arrears.

[10] About half of the amount is to be treated under the DSSI. The repayment of other half is not treated under the DSSI and will be done in two tranches to be paid in November 2023 and April 2024. Staff has obtained from the India ED consent to Fund financing notwithstanding those arrears.

[11] 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.

use of the Fund’s resources, and adjustment efforts are not undermined by developments in creditor-debtor relations.

31. 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.

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**	**2284**	**2232**	**2182**	**2320**	**2464**	**2475**	**2505**	**2512**	**2476**	**2430**
Multilateral	1261	1681	2055	2182	2320	2464	2475	2505	2512	2476	2430
IMF	211	391	478	470	459	448	409	367	330	293	256
Non-IMF	1051	1290	1577	1712	1861	2016	2067	2138	2182	2183	2173
Private Collateralized Debt (Oil-prepurchased)	1009	603	177	0	0	0	0	0	0	0	0
Non-Senior Debt	**3768**	**3727**	**3407**	**3128**	**2870**	**2567**	**2477**	**2445**	**2389**	**2351**	**2313**
Official bilateral	2827	2804	2605	2438	2302	2120	2069	2051	2014	1976	1939
Paris Club	452	465	461	454	417	382	352	331	306	281	254
Brazil	91	87	79	73	69	65	61	58	50	46	41
Belgium	128	107	78	60	41	26	18	14	14	14	14
France	199	247	281	299	285	269	252	238	220	200	178
Russia	31	24	23	22	22	21	21	21	21	21	21
Switzerland	3	0	0	0	0	0	0	0	0	0	0
Non-Paris Club	2376	2339	2143	1985	1885	1739	1717	1720	1709	1695	1684
China	1973	1960	1799	1668	1590	1465	1455	1461	1452	1440	1432
India	84	68	49	31	20	11	3	0	0	0	0
Kuwait	54	56	56	56	55	52	49	48	45	43	41
Turkey	58	43	27	18	9	0	0	0	0	0	0
Others	89	91	91	91	91	90	90	91	91	91	91
Pre-HIPC arrears (not restructured)	118	121	121	122	121	121	120	121	121	121	121
Private Creditors	**941**	**923**	**802**	**689**	**568**	**446**	**408**	**394**	**375**	**375**	**375**
Chinese companies	298	330	248	166	83	0	0	0	0	0	0
London Club (eurobond)	226	206	179	147	110	73	37	19	0	0	0
Afreximbank	52	12	0	0	0	0	0	0	0	0	0
Suppliers	364	376	376	376	375	373	371	375	375	375	375
Total	**6039**	**6011**	**5638**	**5310**	**5190**	**5030**	**4953**	**4950**	**4901**	**4827**	**4743**
o/w Multilateral	1261	1681	2055	2182	2320	2464	2475	2505	2512	2476	2430
o/w Official Bilateral	2827	2804	2605	2438	2302	2120	2069	2051	2014	1976	1939
o/w Private	1950	1526	979	689	568	446	408	394	375	375	375
Shares											
IMF (in percent of Multilateral)	16.7	23.3	23.3	21.5	19.8	18.2	16.5	14.6	13.1	11.8	10.6
IMF (in percent Total)	3.5	6.5	8.5	8.8	8.8	8.9	8.3	7.4	6.7	6.1	5.4
Multilateral (in percent Total)	20.9	28.0	36.4	41.1	44.7	49.0	50.0	50.6	51.3	51.3	51.2
Official (in percent Total)	46.8	46.6	46.2	45.9	44.4	42.1	41.8	41.4	41.1	40.9	40.9
Private (in percent Total)	15.6	15.4	14.2	13.0	10.9	8.9	8.2	8.0	7.6	7.8	7.9

Sources: Authorities; and IMF staff estimates.

STAFF APPRAISAL

32. Economic policies should continue to support sustainable growth while promoting diversification. Over the last two years, Congo has resumed growth, and stronger fundamentals bode well for additional growth momentum ahead. Investments continue to spur activity in agriculture, mining, and services, and oil production is recovering. Fiscal reforms, and improvements in governance and the business environment would help scale up expenditures on public infrastructure, healthcare, education, and social assistance 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 encourage additional foreign investment and notch up private sector growth.

33. In the face of high debt, Congo needs to delicately balance necessary fiscal consolidation and policies supporting adequate economic growth and poverty reduction. After 0.8 percent of non-oil GDP fiscal slippage in 2022, a fiscal tightening of 4 percent of non-oil GDP in 2023 restored the ECF arrangement's consolidation trajectory. The gradual removal of fuel price subsidies and the shoring up of non-oil revenues—with respective cumulative fiscal yields of 4.4 and 1.8 percentage points of non-oil GDP over 2023-2025 (Text Table 2)— is key for solidifying fiscal sustainability and creating fiscal space for social spending. Targeted social assistance, as employed in the reallocation of oil subsidies to social transfers, provides fiscal space for protect vulnerable households. However, under execution of social spending, which was only 60.6 percent in 2022, threatens to drag down development outcomes. Imminent projects on public infrastructure, education, and health, improved authorization procedures by related Ministries (MEFP, ¶11), and further expanding the Single Social Register are critical steps to improve social spending execution (MEFP, ¶9). More comprehensive taxation of SOEs (especially in the oil sector), a broadening of the tax and customs base, steady recovery of tax arrears, and regular dividend distributions by SOEs would help preserve an adequate level of rationalized development spending, including public investments in urgently needed infrastructure and social safety nets.

34. Stronger momentum in reforms covering public debt, investment, and broader public financial management, as well as governance, would deliver additional support to Congo's fiscal consolidation strategy. Recurring recognition of new domestic debt (also stemming from SOEs, including banks), ongoing audits on domestic arrears, and frequent accumulation of new external arrears—even as those are repaid soon after—highlight the urgency for improved debt management, including the finalization of CCA's reorganization, improved information sharing and coordination on issues with debt service, and increased transparency on public debt (¶19). Preemptive efforts to identify such fiscal risks and related contingency measures are critical for ensuring fiscal sustainability. Progress in reforms on tax collection, cash management, and TSA reforms, including the automatic transfer of oil revenue to the TSA, is essential to ensure the efficient use of public resources and achieve a comprehensive monitoring of public revenue collection. Investment project execution and PFM practices (¶20 and 21) will benefit from cost-benefit-based project prioritization, also considering climate aspects, the transition to program budgeting, and the extension of SIGFIP beyond already integrated components to achieve interconnectivity with custom administration and tax collection systems.

35. While reforms on governance and anti-corruption are progressing, their acceleration and effective implementation would provide additional impetus towards a culture of

accountability and public participation. Provisions such as (i) aligning of public officials' declaration of assets with international best practices; (ii) requiring submission of conflict-of-interest declarations for high-level officials and their publication; (iii) adequate resourcing of the anti-corruption and transparency commissions; (iv) the prioritized dissemination of information on corruption-related offenses and judgments; (v) the publication of reports from oversight institutions; and (vi) the full implementation of the recently passed law reforming the powers and organization of CABD would all enhance transparency and public control. Evaluating the progress against recommendations from the 2018 diagnostic report and from Congo's recently published Mutual Evaluation Report of the Action Group against Money Laundering in Central Africa should help identify measures to combat money laundering and the financing of terrorism and improve public financial management. Publicly accessible cadasters for the forestry and mining industry and regular publication of EITI and audit reports for the primary sector would support transparent natural resource management.

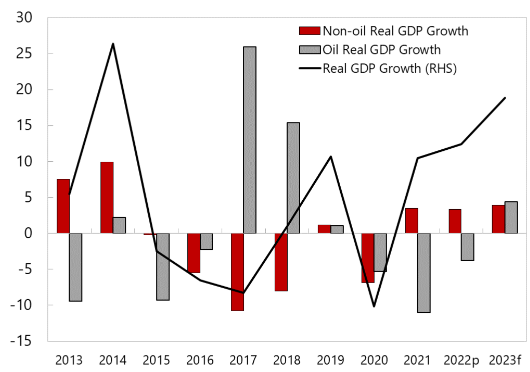
36. Delivering broadly satisfactory program performance, the authorities' commitment to the ECF arrangement remains strong. Significant progress in fiscal consolidation and structural reforms have been achieved even though two of the program's performance criteria and one of its indicative targets were missed (¶9-10), and several structural benchmarks were not met on time due to capacity constraints in a few government administrations (¶11). Corrective measures, including a strong prior action (Table 14), have been taken to address all breaches. The authorities' immediate fiscal correction efforts, the continued implementation of fuel subsidy reforms accompanied by targeted social transfers, their efforts in tax collection, and their renewed commitment to advance the structural reform agenda help assuage remaining concerns over program ownership. The program's conditionality, current momentum in the authorities' commitment, and adequate policy capacity should continue to support a satisfactory program implementation.

37. Considering the strength of the authorities' program, the corrective actions, the implementation of the end-June 2023 regional policy assurance and regional policy assurances to be established in the December 2023 union-wide paper, staff supports the completion of the fourth review under the ECF arrangement, the request for waivers for the end-June 2023 PCs on the non-oil primary balance and for the continuous PC on the non-accumulation of new external arrears. Staff also supports the requests for modification of the end-December 2023 performance criterion for the government's net domestic financing and for modification of the end-June 2024 performance criteria for the basic non-oil primary balance and government's net domestic financing. In addition, ITs were modified for all test dates from December 2023 to June 2024. Staff proposes completion of the financing assurances review. Staff proposes that completion of the fifth review under the ECF arrangement be conditional on the implementation of critical policy assurances at the union level established in the December 2023 union-wide background paper. In particular, the regional policy assurances on the accumulation of NFAs are critical for the successful continuation of Congo's ECF arrangement.

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

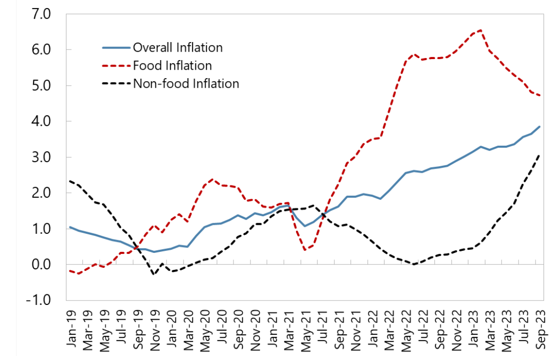
Real GDP growth is gaining momentum driven by an expanding oil and non-oil sectors.

Real GDP Growth (Percent)



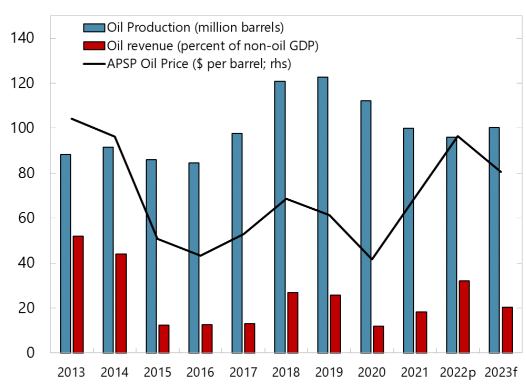
Food inflation eased, while non-food prices fueled inflation.

Inflation (Average YoY; Percent Change)



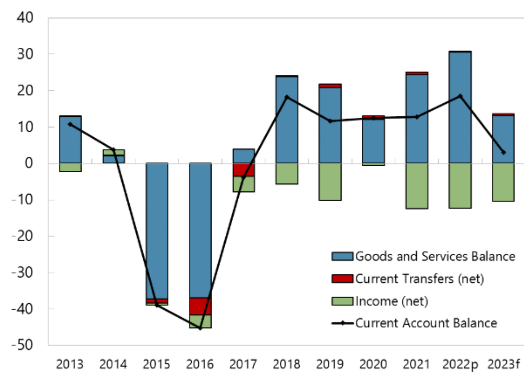
Steady production and moderate price declines implied still considerable oil revenues...

Oil



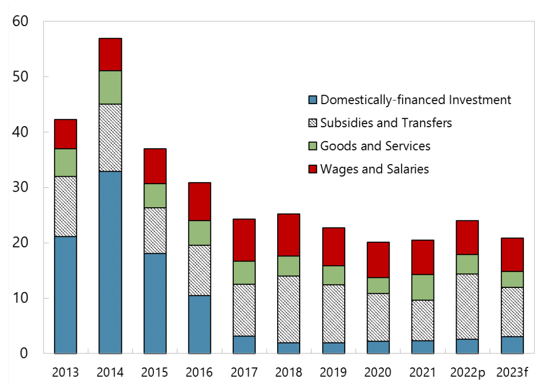
...while the current account surplus started to decline.

Balance of Payments (Percent of GDP)



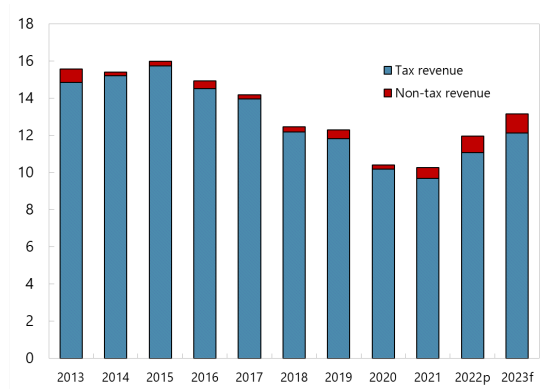
Spending is on track to remain in 2023 within the budget.

Adjustable Public Spending (Percent of Non-oil GDP)



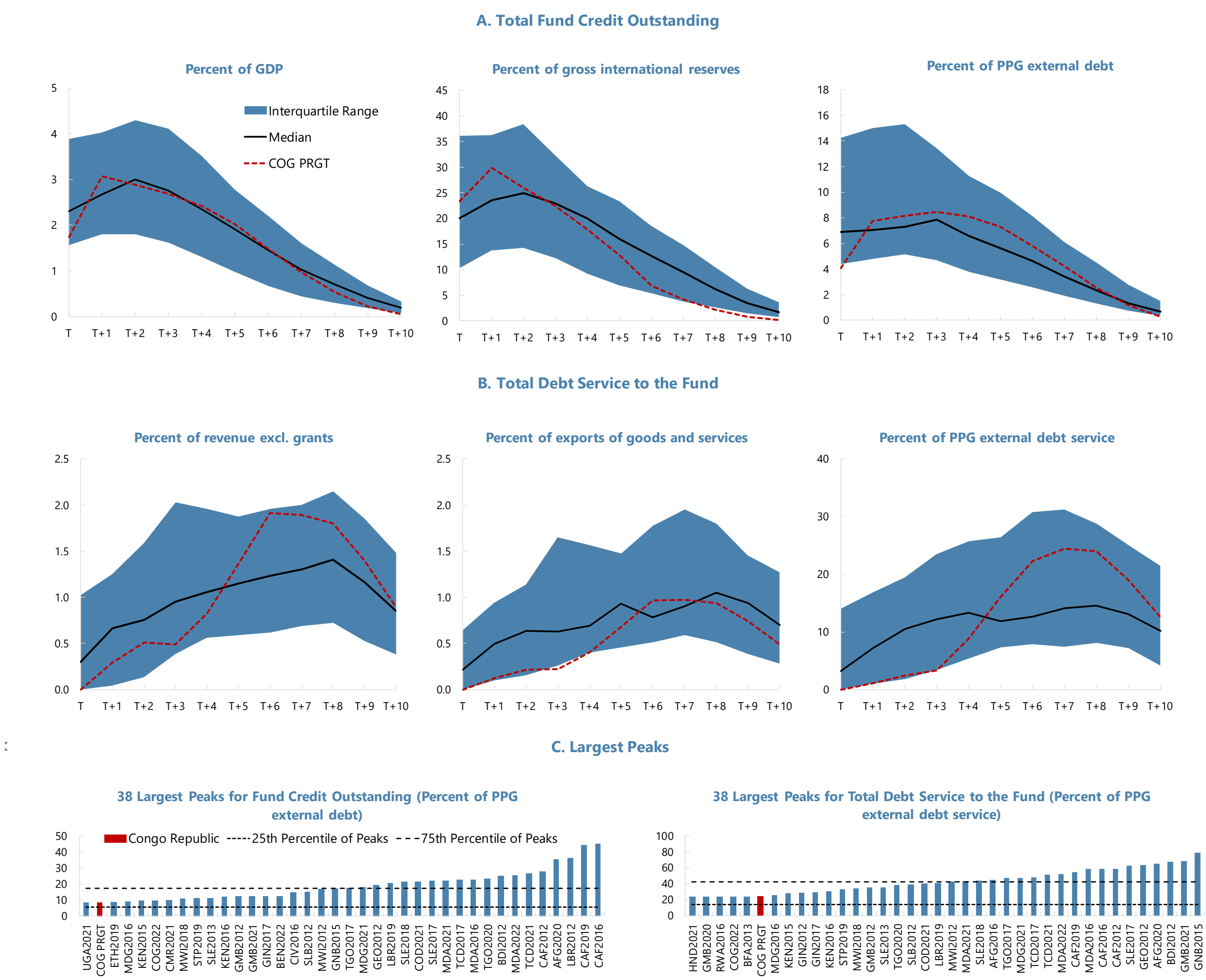
Administrative and tax policy reforms prop up non-oil revenues.

Non-Oil Revenue (Percent of Non-oil GDP)



Sources: Congolese Authorities and IMF Staff Estimates and Projections

Figure 2. Republic of Congo: Fund Credit Outstanding and External Debt Service Compared to PRGT UCT-Quality Arrangements [1,2,3,4,5, 6, 7]



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 2012 and 2022.

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

[5] Comparator series is for PRGT arrangements only and runs up to T+10.

[6] Debt service obligations to the Fund reflect prospective payments, including for the current year.

[7] In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.

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

	2022	2023	2023	2024	2025	2026	2027	2028
	Prel.	CR 23/271			Proj.			
	(Annual percentage change unless otherwise indicated)							
Production and prices								
GDP at constant prices	1.7	4.0	4.0	4.4	3.2	3.7	3.9	3.9
Oil	-3.8	4.4	4.4	6.5	-0.3	-0.2	0.0	-0.1
Non-oil	3.3	3.9	3.9	3.8	4.3	4.8	4.8	4.8
GDP at current prices	17.1	-0.7	0.5	7.1	4.7	5.3	5.8	6.0
GDP deflator	15.1	-4.5	-3.4	2.6	1.4	1.5	1.8	2.0
Non-oil	3.1	3.5	4.5	3.6	3.0	3.0	3.0	3.0
Consumer prices (period average)	3.0	3.5	4.5	3.6	3.0	3.0	3.0	3.0
Consumer prices (end of period)	3.2	3.5	4.5	3.6	3.0	3.0	3.0	3.0
External sector								
Exports, f.o.b.	61.8	-19.5	-19.4	5.9	-2.8	-2.5	-1.3	-0.1
Imports, f.o.b.	63.9	2.1	3.3	5.8	4.1	4.2	2.4	2.5
Export volume	17.6	-2.8	3.5	5.4	2.3	3.4	4.3	4.8
Import volume	37.7	13.7	13.9	6.0	4.8	2.7	2.3	1.1
Terms of trade (deterioration -)	18.6	-7.0	-12.9	0.7	-4.2	-7.2	-5.4	-6.0
Current account balance (percent of GDP)	18.5	3.9	3.1	3.2	0.6	-0.9	-1.6	-1.8
BEAC's net foreign assets	-46.9	123.5	69.6	50.3	36.8	31.2	35.6	44.9
External public debt (percent of GDP)	43.1	41.6	41.0	36.6	33.1	30.9	28.7	26.3
Monetary sector								
Broad money	4.6	10.4	22.0	16.1	5.3	7.7	7.2	7.8
Credit to the private sector	5.1	5.4	3.6	4.6	5.4	6.1	6.5	6.7
	(Percent of GDP)							
Investment and saving								
Gross national saving	44.9	32.7	31.6	31.3	28.6	26.6	24.8	23.9
Gross investment	26.4	28.8	28.5	28.0	28.0	27.5	26.3	25.7
	(Percent of non-oil GDP, unless otherwise indicated)							
Central government finances								
Total revenue	44.9	34.6	34.6	34.7	33.0	31.4	30.4	29.2
Oil revenue	32.1	20.4	20.4	20.1	17.9	15.8	14.6	13.2
Nonoil revenue (including grants)	12.8	14.2	14.3	14.6	15.1	15.6	15.8	16.1
Total expenditure	32.3	29.4	30.1	28.1	28.1	27.5	25.8	24.2
Current	27.1	22.8	23.5	21.7	21.5	20.8	19.9	18.8
Capital	5.1	6.6	6.6	6.4	6.7	6.7	5.9	5.4
Overall balance (deficit -, payment order basis)	12.6	5.2	4.6	6.6	4.8	3.9	4.6	5.1
Overall balance (deficit -, payment order basis, percent of GDP)	8.9	4.0	3.5	5.1	3.8	3.1	3.8	4.2
Non-oil primary balance (- = deficit)	-15.7	-11.8	-11.7	-9.8	-9.5	-8.6	-7.0	-5.4
Basic primary fiscal balance (- = deficit)[1]	16.4	8.6	8.7	10.3	8.3	7.3	7.6	7.7
Basic non-oil primary balance (- = deficit)[2]	-14.0	-9.3	-9.2	-7.7	-7.4	-6.6	-5.6	-4.1
Reference fiscal balance (percent of GDP)[3]	-4.5	-0.3	-0.9	2.2	2.7	1.2	1.9	2.4
Primary balance (percent of GDP)	11.6	6.6	6.7	7.9	6.6	5.9	6.3	6.5
Financing gap (in percent of GDP)	2.0	2.6	2.6	1.9	0.0	0.0	0.0	0.0
Total public debt (percent of GDP)	92.5	98.0	102.3	95.2	89.7	83.8	77.3	69.8
	(Percent of total government revenue excluding grants)							
External public debt service	34.1	29.1	29.0	22.9	16.2	10.6	9.3	9.9
	(Billions of CFA francs, unless otherwise indicated)							
Nominal GDP	8,690	8,632	8,735	9,356	9,796	10,317	10,912	11,570
Nominal oil GDP	2,536	2,016	2,056	2,173	2,081	1,989	1,923	1,866
Nominal non-oil GDP	6,153	6,616	6,680	7,183	7,715	8,327	8,988	9,704
Nominal GDP in US$ (millions)	13,961	14,243	14,493	15,602	16,389	17,291	18,219	19,242
World oil price (U.S. dollars per barrel)	96	76	80	80	76	73	70	67
Congolese oil price (U.S. dollars per barrel)	99	77	79	79	76	73	71	68
Brent Price (U.S dollars per barrel)	99	78	82	81	77	74	72	69
Oil production (Millions of barrels)	96	100	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	2023	2023	2024	2025	2026	2027	2028
	Prel.	CR 23/271			Proj.			
Total Revenue and Grants	2,763	2,292	2,313	2,494	2,543	2,614	2,734	2,838
Revenue	2,709	2,218	2,239	2,434	2,468	2,533	2,645	2,741
Oil revenue	1,973	1,349	1,360	1,444	1,378	1,319	1,316	1,279
of which: oil transfers	311	154	154	47	57	59	59	59
Non-oil revenue	736	868	880	990	1,090	1,214	1,330	1,463
Direct taxes	292	321	351	385	422	466	514	567
Taxes on goods and services	250	311	319	360	409	450	495	545
Customs Receipts	139	166	140	181	198	235	254	289
Non-tax revenue	56	71	70	65	61	63	67	62
Grants	54	74	74	59	74	81	89	97
Expenditure	1,985	1,945	2,009	2,017	2,171	2,290	2,318	2,348
Current expenditure	1,669	1,509	1,568	1,560	1,655	1,733	1,787	1,822
Wages	379	406	407	435	467	508	549	598
Other primary current expenditure	1,032	850	857	803	856	881	915	911
Goods and services	217	190	190	190	219	226	243	262
Transfers	721	590	595	548	567	583	609	585
Social Transfers (Lisungi, COVID-19 and others)	143	180	185	223	231	239	258	278
Oil-related transfers	311	154	154	47	57	59	59	59
Other transfers	266	256	256	278	279	286	292	248
Common charges	94	70	71	67	69	71	63	63
Annex budgets and special accounts[1]	27	27	27	59	62	63	54	54
Interest	230	224	277	263	271	281	269	260
Domestic	115	143	143	200	216	232	220	212
External	116	82	134	63	55	49	49	48
of which: COVID-19 Moratorium Loan (interest)	4	3	3	2	1	1	0	0
of which: on oil-prepurchased debt	30	20	20	11	4	0	0	0
Capital expenditure	316	436	441	457	516	557	532	526
Domestically financed	162	198	202	243	280	308	315	295
Externally financed	155	238	239	214	236	249	217	231
Non-oil primary balance[2]	-965	-778	-778	-704	-736	-714	-631	-529
Basic non-oil primary balance[3]	-864	-614	-614	-550	-575	-546	-503	-395
— excluding oil-related transfers[4]	-553	-459	-459	-503	-518	-487	-444	-336
Primary balance	1,008	571	581	740	642	605	685	750
Overall balance, payment order basis								
Excluding grants	724	273	231	418	297	243	327	393
Including grants	778	347	305	477	372	324	416	490
Overall balance, cash basis	778	347	305	477	372	324	416	490
Financing	-949	-573	-532	-659	-372	-324	-416	-490
Foreign (net, excluding budgetary support)	-966	-400	-580	-557	-185	-51	-69	-89
Drawings	101	164	165	154	161	168	128	134
Amortization (paid)	-843	-564	-568	-493	-346	-219	-197	-223
of which: on oil-prepurchased debt	-374	-282	-288	-231	-106	0	0	0
Others	-223	0	-176	-218	0	0	0	0
Domestic (net, excluding IMF-ECF)	17	-173	48	-101	-187	-273	-347	-401
Banking system (net)	334	-72	283	6	-44	12	-82	-189
Central bank	89	-412	-284	-250	-261	-195	-213	-157
Commercial banks[5]	245	340	568	256	218	207	130	-32
Nonbank financing[5]	-317	-101	-235	-107	-143	-285	-265	-212
Of which: Repayment of domestic arrears	-431	-110	-379	-204	-155	-184	-158	-157
Financing gap (- = surplus)	171	226	227	182	0	0	0	0
Expected financing (excluding IMF)	63	120	122	130	0	0	0	0
IMF-ECF	108	105	105	52	0	0	0	0
Residual financing gap	0	0	0	0	0	0	0	0
Memorandum items:								
Stock of domestic arrears[6]	1,450	1,677	1,800	1,577	1,420	1,232	1,075	698
Stock of government deposits	238	650	523	773	1,020	1,200	1,397	1,539
CEMAC Reference fiscal balance[7]	-391	-23	-76	201	267	121	205	282
GDP at current market prices	8,690	8,632	8,735	9,356	9,796	10,317	10,912	11,570
Non-oil GDP at market prices	6,153	6,616	6,680	7,183	7,715	8,327	8,988	9,704

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	2023	2023	2024	2025	2026	2027	2028
	Prel.	CR 23/271			Proj.			
Total Revenue and Grants	44.9	34.6	34.6	34.7	33.0	31.4	30.4	29.2
Revenue	44.0	33.5	33.5	33.9	32.0	30.4	29.4	28.2
Oil revenue	32.1	20.4	20.4	20.1	17.9	15.8	14.6	13.2
of which: oil transfers	5.1	2.3	2.3	0.7	0.7	0.7	0.7	0.6
Non-oil revenue	12.0	13.1	13.2	13.8	14.1	14.6	14.8	15.1
Direct taxes	4.7	4.8	5.3	5.4	5.5	5.6	5.7	5.8
Taxes on goods and services	4.1	4.7	4.8	5.0	5.3	5.4	5.5	5.6
Customs receipts	2.3	2.5	2.1	2.5	2.6	2.8	2.8	3.0
Non-tax revenue	0.9	1.1	1.0	0.9	0.8	0.8	0.7	0.6
Grants	0.9	1.1	1.1	0.8	1.0	1.0	1.0	1.0
Expenditure	32.3	29.4	30.1	28.1	28.1	27.5	25.8	24.2
Current expenditure	27.1	22.8	23.5	21.7	21.5	20.8	19.9	18.8
Wages	6.2	6.1	6.1	6.1	6.1	6.1	6.1	6.2
Other primary current expenditure	16.8	12.9	12.8	11.2	11.1	10.6	10.2	9.4
Goods and services	3.5	2.9	2.8	2.6	2.8	2.7	2.7	2.7
Transfers	11.7	8.9	8.9	7.6	7.3	7.0	6.8	6.0
Social Transfers (Lisungi, COVID-19 and others)	2.3	2.7	2.8	3.1	3.0	2.9	2.9	2.9
Oil-related transfers	5.1	2.3	2.3	0.7	0.7	0.7	0.7	0.6
Other transfers	4.3	3.9	3.8	3.9	3.6	3.4	3.3	2.6
Common charges	1.5	1.1	1.1	0.9	0.9	0.9	0.7	0.7
Annex budgets and special accounts[1]	0.4	0.4	0.4	0.8	0.8	0.8	0.6	0.6
Interest	3.7	3.4	4.1	3.7	3.5	3.4	3.0	2.7
Domestic	1.9	2.2	2.1	2.8	2.8	2.8	2.5	2.2
External	1.9	1.2	2.0	0.9	0.7	0.6	0.5	0.5
of which: COVID-19 Moratorium Loan (interest)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	
of which: on oil-prepurchased debt	0.5	0.3	0.3	0.2	0.0	0.0	0.0	0.0
Capital expenditure	5.1	6.6	6.6	6.4	6.7	6.7	5.9	5.4
Domestically financed	2.6	3.0	3.0	3.4	3.6	3.7	3.5	3.0
Externally financed	2.5	3.6	3.6	3.0	3.1	3.0	2.4	2.4
Non-oil primary balance[2]	-15.7	-11.8	-11.7	-9.8	-9.5	-8.6	-7.0	-5.4
Basic non-oil primary balance[3]	-14.0	-9.3	-9.2	-7.7	-7.4	-6.6	-5.6	-4.1
— excluding oil-related transfers[4]	-9.0	-6.9	-6.9	-7.0	-6.7	-5.9	-4.9	-3.5
Primary balance	16.4	8.6	8.7	10.3	8.3	7.3	7.6	7.7
Overall balance, payment order basis								
Excluding grants	11.8	4.1	3.5	5.8	3.9	2.9	3.6	4.1
Including grants	12.6	5.2	4.6	6.6	4.8	3.9	4.6	5.1
Overall balance, cash basis	12.6	5.2	4.6	6.6	4.8	3.9	4.6	5.1
Financing	-15.4	-8.7	-8.0	-9.2	-4.8	-3.9	-4.6	-5.1
Foreign (net, excluding budgetary support)	-15.7	-6.0	-8.7	-7.8	-2.4	-0.6	-0.8	-0.9
Drawings	1.6	2.5	2.5	2.1	2.1	2.0	1.4	1.4
Amortization (paid)	-13.7	-8.5	-8.5	-6.9	-4.5	-2.6	-2.2	-2.3
of which: on oil-prepurchased debt	-6.1	-4.3	-4.3	-3.2	-1.4	0.0	0.0	0.0
Others	-3.6	0.0	-2.6	-3.0	0.0	0.0	0.0	0.0
Domestic (net, excluding IMF-ECF)	0.3	-2.6	0.7	-1.4	-2.4	-3.3	-3.9	-4.1
Banking system (net)	5.4	-1.1	4.2	0.1	-0.6	0.1	-0.9	-1.9
Central bank	1.5	-6.2	-4.3	-3.5	-3.4	-2.3	-2.4	-1.6
of which Use of SDR Allocations	2.1	…	…	…	…	…	…	…
Commercial banks[5]	4.0	5.1	8.5	3.6	2.8	2.5	1.5	-0.3
Nonbank financing[5]	-5.2	-1.5	-3.5	-1.5	-1.9	-3.4	-3.0	-2.2
Of which: Repayment of domestic arrears	-7.0	-1.7	-5.7	-2.8	-2.0	-2.2	-1.8	-1.6
Financing gap (- = surplus)	2.8	3.4	3.4	2.5	0.0	0.0	0.0	0.0
Expected financing (excluding IMF)	1.0	1.8	1.8	1.8	0.0	0.0	0.0	0.0
IMF-ECF	1.8	1.6	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
Memorandum items:								
Stock of domestic arrears[6]	23.6	25.3	26.9	22.0	18.4	14.8	12.0	7.2
Stock of government deposits	3.9	9.8	7.8	10.8	13.2	14.4	15.5	15.9
CEMAC Reference fiscal balance[7]	-6.3	-0.3	-1.1	2.8	3.5	1.4	2.3	2.9
GDP at current market prices (CFAF billion)	8,690	8,632	8,735	9,356	9,796	10,317	10,912	11,570
Non-oil GDP at market prices (CFAF billion)	6,153	6,616	6,680	7,183	7,715	8,327	8,988	9,704

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	2023	2023	2024	2025	2026	2027	2028
	Prel.	CR 23/271			Proj.			
Total Revenue and Grants	31.8	26.6	26.5	26.7	26.0	25.3	25.1	24.5
Revenue	31.2	25.7	25.6	26.0	25.2	24.6	24.2	23.7
Oil revenue	22.7	15.6	15.6	15.4	14.1	12.8	12.1	11.1
Non-oil revenue	8.5	10.1	10.1	10.6	11.1	11.8	12.2	12.6
Direct taxes	3.4	3.7	4.0	4.1	4.3	4.5	4.7	4.9
Taxes on goods and services	2.9	3.6	3.7	3.8	4.2	4.4	4.5	4.7
Customs Receipts	1.6	1.9	1.6	1.9	2.0	2.3	2.3	2.5
Non-tax revenue	0.6	0.8	0.8	0.7	0.6	0.6	0.6	0.5
Grants	0.6	0.9	0.8	0.6	0.8	0.8	0.8	0.8
Expenditure	22.8	22.5	23.0	21.6	22.2	22.2	21.2	20.3
Current expenditure	19.2	17.5	17.9	16.7	16.9	16.8	16.4	15.8
Wages	4.4	4.7	4.7	4.7	4.8	4.9	5.0	5.2
Other primary current expenditure	11.9	9.9	9.8	8.6	8.7	8.5	8.4	7.9
Goods and services	2.5	2.2	2.2	2.0	2.2	2.2	2.2	2.3
Transfers	8.3	6.8	6.8	5.9	5.8	5.7	5.6	5.1
Social Transfers (Lisungi, COVID-19 and others)	1.6	2.1	2.1	2.4	2.4	2.3	2.4	2.4
Oil-related transfers	3.6	1.8	1.8	0.5	0.6	0.6	0.5	0.5
Other transfers	3.1	3.0	2.9	3.0	2.8	2.8	2.7	2.1
Common charges	1.1	0.8	0.8	0.7	0.7	0.7	0.6	0.5
Annex budgets and special accounts[1]	0.3	0.3	0.3	0.6	0.6	0.6	0.5	0.5
Interest	2.7	2.6	3.2	2.8	2.8	2.7	2.5	2.2
Domestic	1.3	1.7	1.6	2.1	2.2	2.2	2.0	1.8
External	1.3	0.9	1.5	0.7	0.6	0.5	0.4	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
of which: on oil-prepurchased debt	0.3	0.2	0.2	0.1	0.0	0.0	0.0	0.0
Capital expenditure	3.6	5.1	5.0	4.9	5.3	5.4	4.9	4.5
Domestically financed	1.9	2.3	2.3	2.6	2.9	3.0	2.9	2.5
Externally financed	1.8	2.8	2.7	2.3	2.4	2.4	2.0	2.0
Non-oil primary balance[2]	-11.1	-9.0	-8.9	-7.5	-7.5	-6.9	-5.8	-4.6
Basic non-oil primary balance[3]	-9.9	-7.1	-7.0	-5.9	-5.9	-5.3	-4.6	-3.4
— excluding oil-related transfers[4]	-6.4	-5.3	-5.3	-5.4	-5.3	-4.7	-4.1	-2.9
Primary balance	11.6	6.6	6.7	7.9	6.6	5.9	6.3	6.5
Overall balance, payment order basis								
Excluding grants	8.3	3.2	2.6	4.5	3.0	2.4	3.0	3.4
Including grants	8.9	4.0	3.5	5.1	3.8	3.1	3.8	4.2
Overall balance, cash basis	8.9	4.0	3.5	5.1	3.8	3.1	3.8	4.2
Financing	-10.9	-6.6	-6.1	-7.0	-3.8	-3.1	-3.8	-4.2
Foreign (net, excluding budgetary support)	-11.1	-4.6	-6.6	-6.0	-1.9	-0.5	-0.6	-0.8
Drawings	1.2	1.9	1.9	1.6	1.6	1.6	1.2	1.2
Amortization (paid)	-9.7	-6.5	-6.5	-5.3	-3.5	-2.1	-1.8	-1.9
of which: on oil-prepurchased debt	-4.3	-3.3	-3.3	-2.5	-1.1	0.0	0.0	0.0
Others	-2.6	0.0	-2.0	-2.3	0.0	0.0	0.0	0.0
Domestic (net, excluding IMF-ECF)	0.2	-2.0	0.6	-1.1	-1.9	-2.6	-3.2	-3.5
Banking system (net)	3.8	-0.8	3.2	0.1	-0.4	0.1	-0.8	-1.6
Central bank	1.0	-4.8	-3.3	-2.7	-2.7	-1.9	-1.9	-1.4
of which Use of SDR Allocations	1.5	…	…	…	…	…	…	
Commercial banks[5]	2.8	3.9	6.5	2.7	2.2	2.0	1.2	-0.3
Nonbank financing[5]	-3.7	-1.2	-2.7	-1.1	-1.5	-2.8	-2.4	-1.8
Of which: Repayment of domestic arrears	-5.0	-1.3	-4.3	-2.2	-1.6	-1.8	-1.4	-1.4
Financing gap (- = surplus)	2.0	2.6	2.6	1.9	0.0	0.0	0.0	0.0
Expected financing (excluding IMF)	0.7	1.4	1.4	1.4	0.0	0.0	0.0	0.0
IMF-ECF	1.2	1.2	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
Memorandum items:								
Stock of domestic arrears[6]	16.7	19.4	20.6	16.9	14.5	11.9	9.8	6.0
Stock of government deposits	2.7	7.5	6.0	8.3	10.4	11.6	12.8	13.3
CEMAC Reference fiscal balance[7]	-4.5	-0.3	-0.9	2.2	2.7	1.2	1.9	2.4
GDP at current market prices	8,690	8,632	8,735	9,356	9,796	10,317	10,912	11,570
Non-oil GDP at market prices	6,153	6,616	6,680	7,183	7,715	8,327	8,988	9,704

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, 2023–24

(Billions of CFA francs)

	2023					2024				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
	Prel.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	508	660	599	546	2,313	599	603	646	646	2,494
Revenue	488	654	579	518	2,239	593	587	630	624	2,434
Oil revenue	287	411	354	308	1,360	361	347	375	361	1,444
of which: repayment of oil-prepurchased debt	21	21	31	81	154	14	12	9	11	47
Non-oil revenue	201	243	226	210	880	232	241	254	263	990
Direct taxes	98	108	91	53	351	92	96	100	96	385
Taxes on goods and services	62	63	83	111	319	86	90	94	90	360
Customs Receipts	32	35	35	38	140	38	40	45	58	181
Non-tax revenue	9	36	17	8	70	15	15	15	19	65
Grants	20	6	20	28	74	6	15	16	22	59
Expenditure	472	515	509	512	2,009	522	525	525	445	2,017
Current expenditure	368	393	395	412	1,568	388	395	399	379	1,560
Wages	94	91	102	121	407	109	109	109	109	435
Other primary current expenditure	199	243	224	218	884	213	220	225	204	862
Goods and services	53	58	51	28	190	47	49	51	42	190
Transfers	116	159	148	172	595	135	140	143	131	548
Social transfers (Lisungi, COVID-19 and other)	27	45	46	66	185	54	58	56	56	223
Oil-related transfers	21	21	31	81	154	14	12	9	11	47
Other Transfers	67	93	71	25	256	67	69	77	64	278
Common charges	16	17	18	20	71	16	16	16	16	66
Annex budgets and special accounts[1]	14	8	7	-2	27	15	15	15	15	59
Interest	76	59	69	73	277	66	66	66	66	263
Domestic	42	25	36	40	143	50	50	50	50	200
External	34	34	34	34	134	16	16	16	16	63
Capital expenditure	104	122	114	100	441	135	130	125	67	457
Domestically financed	35	58	55	55	202	71	68	66	39	243
Externally financed	69	64	60	45	239	64	62	60	28	214
Non-oil primary balance[2]	-175	-207	-194	-201	-778	-219	-203	-189	-94	-704
Basic primary balance	160	262	199	125	746	200	190	231	273	894
Basic non-oil primary balance[3]	-126	-149	-155	-184	-614	-161	-156	-145	-88	-550
— excluding oil-related transfers[4]	-105	-128	-124	-103	-459	-147	-144	-135	-77	-503
Primary balance	111	204	159	107	581	142	144	187	267	740
Overall balance, payment order basis										
Excluding grants	16	139	70	6	231	71	63	105	179	418
Including grants	36	145	90	34	305	76	78	121	201	477
Overall balance, cash basis	36	145	90	34	305	76	78	121	201	477
Financing	-90	-135	-135	-172	-532	-65	-82	-105	-407	-659
Foreign (net, excluding budgetary support)	-147	-153	-147	-133	-580	-55	-72	-80	-351	-557
Drawings	49	58	40	17	165	58	46	44	6	154
Amortization Net (Paid) on principal, external	-154	-171	-142	-101	-568	-113	-118	-123	-138	-493
Others	-42	-40	-45	-49	-176	0	0	0	-218	-218
Domestic (net, excluding IMF-ECF)	56	19	12	-39	48	-10	-10	-25	-56	-101
Banking	144	27	71	42	283	1	1	2	3	6
Central Bank (net)	135	-17	-71	-331	-284	-30	-30	-63	-128	-250
Commercial banks (net)	9	43	142	373	568	31	31	64	131	256
Nonbank financing	-88	-8	-59	-81	-235	-11	-11	-27	-59	-107
Of which: Repayment of domestic arrears	-61	-41	-95	-182	-379	-20	-20	-51	-112	-204
Financing gap (- = surplus)	55	-10	45	137	227	-11	4	-16	205	182
Expected financing (excluding IMF)	0	14	0	108	122	0	11	0	118	130
IMF-ECF	52	0	26	26	105	0	26	0	26	52
Residual	2	-24	19	3	0	-11	-34	-16	61	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, 2023–24

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

	2023					2024				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
	Prel.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	508	1168	1767	2313	2313	599	1201	1847	2494	2494
Revenue	488	1142	1721	2239	2239	593	1180	1810	2434	2434
Oil revenue	287	698	1051	1360	1360	361	708	1083	1444	1444
of which: repayment of oil-prepurchased debt	21	43	74	154	154	14	26	36	47	47
Non-oil revenue	201	444	670	880	880	232	472	727	990	990
Direct taxes	98	206	297	351	351	92	189	289	385	385
Taxes on goods and services	62	126	209	319	319	86	176	270	360	360
Customs Receipts	32	67	102	140	140	38	78	123	181	181
Non-tax revenue	9	45	62	70	70	15	30	45	65	65
Grants	20	26	46	74	74	6	21	37	59	59
Expenditure	472	987	1497	2009	2009	522	1047	1571	2017	2017
Current expenditure	368	761	1156	1568	1568	388	782	1181	1560	1560
Wages	94	185	287	407	407	109	218	326	435	435
Other primary current expenditure	199	442	666	884	884	213	433	658	862	862
Goods and services	53	111	162	190	190	47	97	148	190	190
Transfers	116	275	423	595	595	135	274	417	548	548
Social transfers (Lisungi, COVID-19 and other)	27	73	119	185	185	54	112	167	223	223
Oil-related transfers	21	43	74	154	154	14	26	36	47	47
Other Transfers	67	160	231	256	256	67	136	213	278	278
Common charges	16	33	51	71	71	16	33	49	66	66
Annex budgets and special accounts[1]	14	23	29	27	27	15	29	44	59	59
Interest	76	134	204	277	277	66	131	197	263	263
Domestic	42	67	103	143	143	50	100	150	200	200
External	34	67	101	134	134	16	32	47	63	63
Capital expenditure	104	226	340	441	441	135	265	390	457	457
Domestically financed	35	93	147	202	202	71	139	204	243	243
Externally financed	69	134	193	239	239	64	126	186	214	214
Non-oil primary balance[2]	-175	-383	-577	-778	-778	-219	-421	-610	-704	-704
Basic primary balance	160	423	622	746	746	200	391	621	894	894
Basic non-oil primary balance[3]	-126	-275	-430	-614	-614	-161	-317	-462	-550	-550
— excluding oil-related transfers[4]	-105	-233	-356	-459	-459	-147	-290	-426	-503	-503
Primary balance	111	315	474	581	581	142	286	473	740	740
Overall balance, payment order basis										
Excluding grants	16	155	225	231	231	71	133	238	418	418
Including grants	36	180	271	305	305	76	155	276	477	477
Overall balance, cash basis	36	180	271	305	305	76	155	276	477	477
Financing	-90	-225	-360	-532	-532	-65	-147	-252	-659	-659
Foreign (net, excluding budgetary support)	-147	-300	-447	-580	-580	-55	-127	-207	-557	-557
Drawings	49	108	147	165	165	58	105	148	154	154
Amortization Net (Paid) on principal, external	-154	-325	-468	-568	-568	-113	-232	-355	-493	-493
Others	-42	-82	-127	-176	-176	0	0	0	-218	-218
Domestic (net, excluding IMF-ECF)	56	75	87	48	48	-10	-20	-45	-101	-101
Banking	144	171	241	283	283	1	1	3	6	6
Central Bank (net)	135	118	47	-284	-284	-30	-60	-123	-250	-250
Commercial banks (net)	9	52	194	568	568	31	61	125	256	256
Nonbank financing	-88	-95	-154	-235	-235	-11	-21	-48	-107	-107
Of which: Repayment of domestic arrears	-61	-102	-197	-379	-379	-20	-41	-92	-204	-204
Financing gap (- = surplus)	55	44	89	227	227	-11	-7	-24	182	182
Expected financing (excluding IMF)	0	14	14	122	122	0	11	11	130	130
IMF-ECF	52	52	78	105	105	0	26	26	52	52
Residual	2	-22	-3	0	0	-11	-45	-61	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	2023	2023	2024	2025	2026	2027	2028
	Prel.	CR 23/271			Proj.			
Current account	1,611	335	270	301	58	-91	-172	-210
of which non-oil	-756	-1,599	-1,455	-1,509	-1,656	-1,739	-1,604	-1,651
Trade balance	4,215	2,873	2,823	2,991	2,720	2,459	2,320	2,235
Exports, f.o.b.	6,741	5,592	5,432	5,752	5,594	5,453	5,385	5,378
Oil sector	5,891	4,565	4,597	4,872	4,663	4,458	4,309	4,181
Non-oil sector	850	1,027	835	880	930	996	1,076	1,197
Imports, f.o.b.	-2,526	-2,720	-2,610	-2,761	-2,874	-2,994	-3,065	-3,143
Oil sector	-1,520	-1,270	-1,289	-1,355	-1,322	-1,251	-1,304	-1,253
Government	-253	-349	-352	-365	-413	-446	-425	-421
Non-oil private sector	-753	-1,100	-968	-1,041	-1,139	-1,298	-1,336	-1,469
Balance of services	-1,556	-1,677	-1,677	-1,740	-1,741	-1,649	-1,630	-1,626
Oil sector	-1,020	-694	-886	-929	-911	-859	-914	-876
Nonoil sector	-536	-983	-791	-811	-830	-790	-716	-750
Income	-1,069	-906	-917	-974	-965	-950	-915	-878
Labor income	-20	-20	-15	-16	-15	-14	-13	-13
Investment income	-1,049	-886	-902	-958	-950	-936	-901	-866
Current transfers (net)	21	45	41	23	44	49	53	59
Capital account	60	15	74	59	74	81	89	97
Official grants	54	15	74	59	74	81	89	97
Debt cancellation	6	0	0	0	0	0	0	0
Non-financial non-produced assets	0	0	0	0	0	0	0	0
Financial account	-1,868	-292	-365	-366	3	167	319	517
Direct investment (net)	51	396	396	442	496	502	499	497
Portfolio investment	138	139	139	149	142	143	145	143
Other investment	-2,057	-827	-900	-957	-634	-478	-326	-123
Medium and long term	-1,052	-301	-544	-512	-137	28	30	22
Public sector	-972	-352	-580	-557	-185	-51	-69	-89
Drawings	101	213	165	154	161	168	128	134
Project	101	164	165	154	161	168	128	134
Program	0	0	0	0	0	0	0	0
Other (collateralized)	0	48	0	0	0	0	0	0
Amortization[1]	-843	-564	-568	-493	-346	-219	-197	-223
Net change in arrears	-6	0	0	0	0	0	0	0
Others	-223	0	-176	-218	0	0	0	0
SDR Allocation	0	0	0	0	0	0	0	0
Private sector	-80	51	35	46	48	79	99	112
Oil	51	37	58	50	41	46	52	53
Non-oil	-131	14	-23	-4	7	34	47	59
Short term	-1,005	-526	-356	-446	-497	-506	-356	-146
Errors and omissions	0	0	0	0	0	0	0	0
Overall balance of payments	-197	58	-21	-6	136	157	236	403
Financing	26	-284	-205	-176	-136	-157	-236	-403
Reserve financing (- = increase)	20	-284	-205	-176	-130	-152	-230	-360
Exceptional financing [2]	6	0	0	0	-6	-6	-6	-43
Financing gap (- = surplus)	171	226	227	182	0	0	0	0
Expected financing (excluding IMF)	63	120	122	130	0	0	0	0
IMF-ECF	108	105	105	52	0	0	0	0
Residual financing gap	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 repurchases/repayments to the Fund.

Table 5. Republic of Congo: Monetary Survey, 2022–28

(Billions of CFA francs, unless otherwise specified)

	2022	2023	2023				2024	2025	2026	2027	2028
			Q1	Q2	Q3	Q4					
	Prel.	CR 23/271	Prel.	Prel.	Proj.	Proj.	Proj.				
Net foreign assets	259	402	143	139	178	347	584	735	912	1,172	1,611
Central bank	145	324	63	118	143	246	369	505	662	898	1,301
Deposit money banks	114	79	79	21	35	101	215	230	250	274	310
Net domestic assets	2,132	2,236	2,258	2,437	2,417	2,570	2,802	2,830	2,927	2,943	2,823
Net domestic credit	2,593	2,696	2,730	2,877	2,822	3,030	3,152	3,180	3,277	3,293	3,173
Net credit to the public sector	1,319	1,352	1,509	1,496	1,531	1,707	1,765	1,716	1,723	1,635	1,403
Net credit to the Government	1,330	1,363	1,520	1,506	1,541	1,718	1,776	1,726	1,733	1,645	1,414
Central bank	731	424	920	894	823	551	353	86	-114	-332	-533
Claims	969	1,074	1,021	1,014	1,022	1,074	1,126	1,106	1,086	1,065	1,007
Use of IMF Credit	133	239	184	182	208	238	290	284	279	273	230
Deposits	-238	-650	-101	-119	-199	-523	-773	-1,020	-1,200	-1,397	-1,539
Deposit money banks	599	939	601	612	718	1,167	1,423	1,640	1,847	1,978	1,946
Claims on public agencies, net	-10	-10	-11	-11	-11	-10	-10	-10	-10	-10	-10
Credit to the economy[1]	1,273	1,344	1,220	1,381	1,291	1,323	1,387	1,464	1,555	1,658	1,770
Credit to the private sector	1,190	1,254	1,134	1,180	1,214	1,233	1,290	1,359	1,442	1,536	1,639
Other items, net	-460	-460	-471.8	-439.7	-405.0	-460	-350	-350	-350	-350	-350
Broad money	2,391	2,639	2,401	2,576	2,595	2,917	3,386	3,565	3,839	4,114	4,435
Currency outside banks	430	474	401	406	488	524	609	641	690	739	797
Demand deposits	1,317	1,456	1,291	1,438	1,369	1,612	1,876	1,976	2,130	2,284	2,464
Time deposits	619	683	663	681	686	755	877	923	994	1,065	1,148
(Changes in percent of beginning-of-period broad money)											
Broad money	4.6	10.4	0.4	7.7	8.5	22.0	16.1	5.3	7.7	7.2	7.8
Net foreign assets	-4.4	6.0	-4.9	-5.0	-3.4	3.7	8.1	4.5	5.0	6.8	10.7
Net domestic assets	9.1	4.3	5.3	12.7	11.9	18.3	7.9	0.8	2.7	0.4	-2.9
Net domestic credit	17.7	4.3	5.7	11.9	9.6	18.3	4.2	0.8	2.7	0.4	-2.9
Net credit to the public sector	16.1	1.4	8.0	7.4	8.8	16.2	2.0	-1.5	0.2	-2.3	-5.6
Credit to the economy	1.6	2.9	-2.2	4.5	0.7	2.1	2.2	2.3	2.6	2.7	2.7
Credit to the private sector	2.5	2.7	-2.3	-0.4	1.0	1.8	2.0	2.1	2.3	2.4	2.5
Other items, net	-8.6	--	-0.5	0.9	2.3	--	3.8	--	--	--	0.0
(Annual percent changes, unless otherwise indicated)											
Broad money	4.6	10.4	19.4	23.5	16.6	22.0	16.1	5.3	7.7	7.2	7.8
Reserve money	-14.2	46.6	8.8	9.1	44.3	62.0	10.5	7.8	16.3	7.2	7.8
Credit to the economy	3.0	5.5	-0.1	11.5	5.1	3.9	4.8	5.5	6.2	6.6	6.8
Credit to the private sector	5.1	5.4	1.8	0.4	4.9	3.6	4.6	5.4	6.1	6.5	6.7
Velocity (Non-oil GDP/average M2)	2.6	2.5	...	...	...	2.3	2.1	2.2	2.2	2.2	2.2
(Percent)											
Total nominal GDP growth	17.1	-0.7	...	...	...	0.5	7.1	4.7	5.3	5.8	6.0
Non-oil nominal GDP growth	6.5	7.5	...	...	...	8.6	7.5	7.4	7.9	7.9	8.0
Credit to the economy/Non-oil GDP	20.7	20.3	...	...	...	19.8	19.3	19.0	18.7	18.4	18.2
Memorandum Items:											
Gross imputed official reserves (CFA billion)	578	862	480	502	553	783	959	1089	1241	1471	1831
In months of imports	1.5	2.1	...	...	...	1.9	2.3	2.6	2.9	3.4	4.0
Central bank liablities to non-residents	432.9	538.3	417.0	383.5	409.7	537.5	589.6	584.1	578.6	573.0	530.1

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, 2015–23

(Percent, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	
									Q1	Q2
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	23.1	23.6	20.5
Nonperforming loans net of provisions to capital	15.4	28.3	53.1	71.8	74.7	61.1	30.2	27.9	29.1	24.8
Asset Quality										
Nonperforming loans to total gross loans	5.0	8.0	16.2	22.5	27.5	21.0	16.9	16.8	18.8	17.0
Provisions to nonperforming loans	51.9	38.6	35.8	36.7	35.9	53.0	64.2	62.4	61.8	65.1
Earnings and Profitability										
Return on assets	2.1	1.6	1.5	1.2	0.6	1.1	2.2	2.4		3.2
Return on equity	16.2	8.0	7.2	4.6	1.2	6.3	12.0	13.0		19.8
Liquidity										
Liquid assets to total assets	21.1	16.7	22.7	26.8	23.8	26.9	27.2	30.9	34.5	35.8
Liquid assets to short-term liabilities	116.1	104.4	146.6	176.0	152.0	174.4	175.9	173.6	197.5	210.7
Additional FSIs										
Large exposures to capital	187.2	154.2	157.5	157.2	133.6	126.0	104.7	107.8	89.2	84.7
Trading income to total income	11.1	6.8	40.1	47.3	38.6	163.6	-7.1	-21.5		68.9
Personnel expenses to noninterest expenses	22.1	24.2	13.8	10.5	11.1	25.1	23.4	24.2		4.7
Customer deposits to total (noninterbank) loans	125.5	102.8	93.6	91.5	104.3	112.1	111.2	133.1	148.6	154.9
FX loans to total loans	2.4	2.2	5.0	3.0	0.7	0.1	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	2.9	3.2	3.0
Commercial real estate loans to total gross loans	0.1	0.0	0.3	0.4	0.3	0.9	0.3	0.1	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	-305	-477	-372	-324	-416	-490
B. Financing needs	2211	1866	1861	2013	1793	1890	1890
Amortization (including arrears)	1958	1401	1388	1746	1593	1672	1728
External	888	568	493	346	219	197	223
Amortization due	883	568	493	346	219	197	223
ow DSSI amortization	0	-73	-73	-20	-19	0	0
Domestic	1070	832	894	1400	1374	1476	1504
Amortization due	639	453	690	1245	1191	1318	1347
Repayment of domestic arrears	431	379	204	155	184	158	157
BEAC	19	284	250	261	195	213	157
Repayment of statutory advances	0	0	0	14	15	15	16
Change in government deposits (+ = an increase)	19	284	250	247	180	197	142
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	176	218	0	0	0	0
Errors and omissions	0	0	0	0	0	0	0
C=A+B Total financing needs	1433	1561	1384	1641	1469	1474	1400
D. Identified sources of financing	1262	1334	1202	1641	1469	1474	1400
External	146	165	154	161	168	128	134
Project financing	101	165	154	161	168	128	134
Loans	101	165	154	161	168	128	134
Domestic	1117	1170	1048	1480	1301	1346	1265
SDR allocation channeled through BEAC	130	0	0	0	0	0	0
Commercial bank and non-bank financing	1008	1165	1048	1480	1301	1346	1265
Other	-21	0	0	0	0	0	0
E=C-D Financing gap (-=overfinancing)	171	227	182	0	0	0	0
F. Exceptional external financing (excl. IMF)	63	122	130	0	0	0	0
Multilateral	44	108	118	0	0	0	0
Bilateral	20	14	11	-	-	-	-
G=E-F Residual financing needs	108	105	52	0	0	0	0
IMF-ECF	108	105	52	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$)	*(Percent total debt)*	*(Percent GDP)* [7]	*(In Million US$)*				*(Percent GDP)*		
Total	12,976	100	92.5	3,344	2,783	2,753		24.0	19.2	17.6
External	6,039	47	43.1	1,440	1,165	929		10.3	8.0	6.0
Multilateral creditors[2]	1,261	9.7	9.0	55	68	62		0.4	0.5	0.4
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	350		2.3	2.5	2.2
Paris Club	452	3.5	3.2	65	80	78		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	281	273		1.8	1.9	1.7
o/w: China	1,973	15.2	14.1	...	...	...	...	...	...	...
India	84	0.6	0.6	...	...	...	...	...	...	...
Commercial creditors	1,950	15.0	13.9	1,067	737	517		7.6	5.1	3.3
o/w: Bonds	226	1.7	1.6	41	40	38		0.3	0.3	0.2
Other international creditors	1,724	13.3	12.3	1,026	697	478		7.3	4.8	3.1
o/w: Largest two creditors	1,009	7.8	7.2	...	...	...	...	...	...	...
o/w: Glencore	563	4.3	4.0							
o/w: Trafigura	446	3.4	3.2							
Others	715	5.5	5.1	...	...	...	...	...	...	...
Domestic[3]	6937	53.5	49.5	1904	1618	1825		13.6	11.2	11.7
T-Bills[4]	...	...	...	...	...	...	...	...	...	...
Bonds[4]	3038	23.4	21.7	1185	945	1441		8.5	6.5	9.2
Loans	1187	9.1	8.5	26	27	27		0.2	0.2	0.2
Memo items:										
Collateralized debt[5]										
o/w: Related	1,009	...	7.2	...	...	...	...	...	...	...
o/w: Unrelated	...	...	...	...	...	...	...	...	...	...
Contingent liabilities										
o/w: Public guarantees	...	...	...	...	...	...	...	...	...	...
o/w: Other explicit contingent liabilities[6]	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] 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).

[3] Domestic debt service includes arrears repayment.

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

[5] 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.

[6] 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).

[7] 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			December 2022 stock			June 2023 stock			June 2023 (Excl. unrestructured pre-HIPC arrears)			August 2023 stock			August 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**	**312.4**	**504.3**	**3.6**	**301.7**	**498.5**	**3.5**	**13.5**	**22.4**	**0.2**	**324.0**	**535.4**	**3.7**	**27.0**	**44.6**	**0.3**
Multilateral and other creditors	0.0	0.0	0.0	0.0	0.0	0.0	3.7	6.1	0.0	3.7	6.1	0.0	3.7	6.1	0.0	3.7	6.1	0.0
Bilateral	88.9	151.8	1.0	86.7	140.0	1.0	72.4	119.6	0.8	1.0	1.7	0.0	87.6	144.8	1.0	16.3	26.9	0.2
Paris Club	0.0	0.0	0.0	11.9	19.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	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	5.7	9.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	6.2	10.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	74.9	120.9	0.9	72.4	119.6	0.8	1.0	1.7	0.0	87.6	144.8	1.0	16.3	26.9	0.2
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	69.8	112.6	0.8	68.2	112.7	0.8	0.0	0.0	0.0	68.2	112.7	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	1.9	3.1	0.0	1.0	1.7	0.0	1.0	1.7	0.0	16.3	26.9	0.2	16.3	26.9	0.2
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	5.1	0.0	3.1	5.2	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	225.7	364.3	2.6	225.7	372.9	2.6	8.9	14.6	0.1	232.7	384.5	2.7	7.0	11.7	0.1
CMEC and Chinese companies	62	106.2	0.7	0.0	0.0	0.0	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	7.0	11.6	0.1	7.0	11.7	0.1
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	228	390	2.6	225.7	364.3	2.6	225.7	372.9	2.6	8.9	14.6	0.1	225.7	372.9	2.6	0.0	0.0	0.0

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	51.8	45.4	45.4	32.4	13.0	0.0	0.0	0.0	0.0	0.0
Charges and interest	0.0	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
IMF obligations based on prospective credit																
Principal	0.0	0.0	0.0	0.0	0.0	0.0	9.7	19.4	19.4	19.4	19.4	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	0.0	9.6	16.0	16.0	29.0	48.4	71.1	74.4	74.4	61.4	42.0	19.3	9.6	9.6	9.6	9.6
CFAF billions	0.0	7.7	12.9	13.0	23.5	39.6	58.2	60.8	60.8	50.2	34.3	15.8	7.8	7.8	7.8	7.8
Percent of exports of goods and services	0.0	0.1	0.2	0.2	0.4	0.7	1.0	1.0	0.9	0.7	0.5	0.2	0.1	0.1	0.1	0.1
Percent of debt service[1]	0.0	1.4	3.2	4.8	9.6	14.6	22.1	23.0	22.8	18.5	14.4	7.3	3.7	3.6	3.5	3.6
Percent of GDP	0.0	0.1	0.1	0.1	0.2	0.3	0.5	0.5	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Percent of tax revenue	0.0	0.3	0.5	0.5	0.9	1.5	2.0	2.0	1.9	1.5	0.9	0.4	0.2	0.2	0.2	0.2
Percent of quota	0.0	5.9	9.9	9.9	17.9	29.9	43.9	45.9	45.9	37.9	25.9	11.9	4.8	4.8	4.8	4.8
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	235.4	286.5	281.8	277.3	263.0	233.2	182.8	129.8	76.8	34.4	7.9	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	4.1	4.7	4.7	4.7	4.5	4.0	3.0	2.1	1.2	0.5	0.1	0.0	0.0	0.0	0.0	0.0
Percent of debt service[1]	33.5	51.5	70.3	103.3	107.3	85.8	69.5	49.2	28.9	12.7	3.3	0.0	0.0	0.0	0.0	0.0
Percent of GDP	2.7	3.1	2.9	2.7	2.4	2.0	1.5	1.0	0.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Percent of tax revenue	10.8	12.1	11.7	11.2	10.2	8.7	6.4	4.3	2.4	1.0	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)	5,807	6,159	6,005	5,873	5,817	5,826	6,032	6,255	6,498	6,755	7,032	7,185	7,259	7,217	7,127	7,098
External Debt service (CFAF billions)[1]	702	556	401	268	245	272	263	264	266	271	239	216	213	216	223	218
Nominal GDP (CFAF billions)	8,735	9,356	9,796	10,317	10,912	11,570	12,385	13,273	14,250	15,304	16,442	17,610	18,835	20,106	21,461	22,951
Tax revenue (CFAF billions)	2,170	2,370	2,407	2,470	2,579	2,680	2,848	3,032	3,236	3,460	3,701	3,935	4,179	4,631	4,888	5,158
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, 2023–24

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

	Type of Criteria	End-June 2023				End-Sept 2023[11]				End-Dec 2023		End-Mar 2024		End-June 2024	
		PC Program	PC Modified Program	Actual	Status	IT Program	IT modified Program	Actual	Status	PC Program	PC Modified Program	IT Program	IT modified Program	PC Program	PC Modified Program
Floor on basic non-oil primary budget balance (excluding oil-related transfers)[2]	PC	-303	-244	-233	Not Met	-444	-369	...	...	-459	-459	-132	-147	-262	-290
Adjusted target (floor)			-172												
Upward adjustment for higher than expected oil-related transfers			0												
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower oil revenue			72												
Ceiling on net domestic financing of the central government	PC	-47	166	127	Met	-121	122	...	...	-67	153	-33	-10	-40	6
Adjusted target (ceiling)			340												
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue			174												
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3,4]	PC	0	0	0	Met	0	0	12	Not Met	0	0	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,5,6,8]	PC	0	0	0	Met	0	0	0	Met	0	0	0	0	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,7]	PC	0	0	0	Met	0	0	0	Met	0	0	0	0	0	0
Floor on non-oil revenues	IT	405	415	444	Met	632	638	...	...	868	880	224	232	457	472
Floor for social and poverty-reducing spending	IT	181	181	98	Not Met	322	322	...	...	402	308	85	82	191	165
Ceiling on disbursements of external loans for investment projects	IT	123	121	108	Met	176	168	...	...	164	165	62	58	112	105
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion)[5,8]	IT	86	87	67	Met	100	102	...	...	143	216	174	216	205	216
Floor on repayment of domestic arrears accumulated by the central government	IT	40	53	102	Met	90	81	...	...	110	379	21	20	42	41
Memo items:															
Oil revenue[9]		584	553	655		965	873	...		1195	1205	321	347	631	681
Expected external assistance, net[10]		-239	-219	-363		-364	-327	...		-484	-401	-91	-108	-172	-195
- BoP assistance (IMF-ECF)		83	79	52		83	79	...		105	105	0	0	26	26
- Budgetary loans and grants (excl. IMF)		88	79	39		127	121	...		194	196	38	6	85	33
- Change in non-program external arrears		0	0	0		0	0	...		0	0	0	0	0	0
Payments for current external debt amortization due after debt relief		328	298	402		491	448	...		678	597	129	114	258	228

[1] Quantitative Performance Criteria and Indicative Targets are defined in the TMU. "Program" columns reported for the last quarter of 2023 and for 2024 represent the PCs and ITs set at the time of the third review of the ECF arrangement; "Modified Program" columns for the last quarter of 2023 and for 2024 represent the modifications to these PCs and ITs proposed during the fourth 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 againsta waiver of non-observance from the Board at the time of the third review (July 2023), due to arrears that were incurred March 2023 and resolved in May 2023.

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

[6] Excluding all types of financing mentioned in paragagh 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.

[11] The continuous quantitative performance criteria on the non-accumulation of external arrears was breached in July and a waiver of non-observance has been requested by the authorities.

Table 13a. Republic of Congo: Structural Benchmarks 2023–24			
Measures	**Target date**	**Status**	**Macroeconomic Rationale**
A comprehensive stock-taking of hydrocarbon-related VAT administration (including exemptions).	End-June 2023	Not met, completed in mid-November 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	Not met	Reduce fragility, maintain social stability, reduce inequalities, and promote social inclusion.
Define and publish a list of selection criteria (in line with C-PIMA recommendations), integrating the climate dimension.	End-September 2023	Not met, completed early November 2023	Improve public investment management.
Formalize a standard methodology for the preliminary assessment of projects, considering climate aspects, including risk analysis.[1]	End-December 2023		Improve public investment management.
Enactment of hydrocarbon-related VAT tax laws, eliminating VAT exemptions in the process.[2]	End-March 2024		Improve tax administration and support domestic revenue mobilization efforts.
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 13a. Republic of Congo: Structural Benchmarks 2023–24(concluded)

Measures	Target date	Status	Macroeconomic Rationale
Develop the 2024 action plan for implementing remaining recommendations from the 2018 governance diagnostic report.	End-June 2024		Reduce corruption, improve governance.

[1] The standard methodology for the assessment of investment projects has been elaborated; but the inclusion of the climate dimension is still pending.

[2] While a single hydrocarbon VAT law is generally best practice, potential complications from a legal standpoint led to the reformulation of the SB, which now focuses more on the removal of VAT exemptions while keeping separate the upstream and downstream hydrocarbon VAT law. With the support of the World Bank and the Fund, the authorities issued a decree in October 2023 streamlining VAT exemptions in the upstream oil sector. For the downstream oil sector, the authorities have requested a technical assistance from the Fund, the recommendations of which, will inform the scope of the SB now due end-March 2024

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

Measures	Target date	Status	Macroeconomic Rationale
Approval of the new CCA organigram by the Council of Ministers and subsequent submission to parliament.[1]	End-December 2023		Improve transparency and manage debt-related risks.
Complete reorganization of CCA meeting the following items: i) all laws and regulations needed for reorganization enacted, 2) sufficient staff recruited, 3) necessary staff training completed, 4) procedures' manual adopted	End-March 2024		Improve transparency and manage debt-related risks.

[1.] The new CCA organigram has been submitted to the secretary general of the cabinet and is awaiting a cabinet meeting for approval.

Table 14. Republic of Congo: Proposed Prior Action

Measures	Status	Macroeconomic Rationale
Submission to parliament of a 2024 budget targeting a non-oil primary balance of 9.8 percent of non-oil GDP, consistent with the ECF arrangement.		Advance fiscal consolidation to address debt vulnerabilities.

Table 15. Social Spending in the 2022–24 Budget
(Billions of CFAF)

ITEM	2022 budgeted	2022 realized	2023 End August realized	2023 End 2023 budgeted	2023 Execution rate (percent)	2024 draft budget law prevision Q1	Q2	Q3	Q4	Total
Basic health and fight against disease	**174.3**	**110.3**	**37.7**	**196.6**	***19.2***	**48.2**	**56.5**	**50.3**	**54.4**	**209.4**
Acquisition and management program of essential and generic drugs, biological and reagent check-up	6.2	4.9	2.5	7.4	*34.2*	1.8	2.2	1.9	2.1	8.0
Program of free AIDS drugs, biological and reagent check-up	18.0	1.8	0.3	17.1	*2.0*	4.2	4.9	4.4	4.7	18.2
AIDS education and outreach campaign	0.5	0.7	0.2	0.5	*35.5*	0.1	0.1	0.1	0.1	0.5
Malaria and other diseases control program	15.1	5.5	5.1	16.5	*30.7*	4.0	4.7	4.2	4.5	17.5
Extended vaccination program	12.9	4.8	1.0	12.8	*8.2*	3.1	3.7	3.3	3.5	13.6
Response to epidemics	17.6	15.2	0.4	14.7	*2.5*	3.6	4.2	3.7	4.1	15.6
Free caesarean section program	2.4	1.1	0.4	2.5	*14.3*	0.6	0.7	0.6	0.7	2.7
Tuberculosis control program	0.5	1.4	0.3	0.5	*69.0*	0.1	0.1	0.1	0.1	0.5
Program for the control of non-contagious diseases, including trypanosomiasis and onchocerciasis	0.7	0.3	0.2	0.7	*29.8*	0.2	0.2	0.2	0.2	0.8
Revitalization of health districts through the purchase of medical-technical equipment and functioning of hospitals and health centers	73.0	54.8	24.9	99.2	*25.1*	24.3	28.5	25.4	27.5	105.7
Construction and rehabilitation of general and basic hospitals as well as health centers in towns and rural centers	23.2	14.0	0.0	19.3	*0.0*	4.7	5.5	4.9	5.3	20.4
Women's and teenager health	4.2	5.8	2.4	5.6	*42.8*	1.4	1.6	1.4	1.5	5.9
Basic education	**102.6**	**55.9**	**54.5**	**144.4**	***37.8***	**35.4**	**41.6**	**37.0**	**40.1**	**154.1**
Construction and rehabilitation of school buildings	6.5	1.7	0.6	10.5	*6.0*	2.6	3.0	2.7	2.9	11.1
Program of free school supplies, textbooks and tuition fees as well as teaching materials in primary, secondary general, technical and	24.3	15.6	5.6	26.5	*21.1*	6.6	7.7	6.9	7.4	28.6
School canteen program	5.1	3.9	1.9	7.1	*26.4*	1.7	2.0	1.8	2.0	7.5
Strengthening the capacities of the education and research system	27.0	29.4	45.1	62.8	*71.9*	15.4	18.1	16.1	17.4	67.0
Scholarships, school and university aid	30.5	4.4	1.3	31.5	*4.1*	7.7	9.1	8.1	8.7	33.6
Program for the acquisition of table-bench at school level	0.0	0.0	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	0.0	5.9	*0.0*	1.4	1.7	1.5	1.6	6.3
Infrastructures for improved access	**52.2**	**30.6**	**8.5**	**58.2**	***14.6***	**14.2**	**16.6**	**14.8**	**16.0**	**61.6**
Construction and rehabilitation of rural and agricultural roads through the Commercial Agriculture Development Program (PDAC)	5.3	9.8	0.0	6.6	*0.0*	1.6	1.9	1.7	1.8	7.0
River maintenance, dredging and tagging	2.7	3.1	0.5	4.9	*10.3*	1.2	1.4	1.2	1.3	5.2
Community projects and revitalization of the village fabric	0.7	0.0	0.0	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	8.0	46.7	*17.1*	11.4	13.4	11.9	12.9	49.5
Electricity, water and sanitation	**69.8**	**59.6**	**18.7**	**55.9**	***33.5***	**13.7**	**16.0**	**14.3**	**15.4**	**59.4**
"Water for all" program to continue the drinking water supply operation in urban and rural centers	10.7	7.4	0.9	10.0	*9.0*	2.4	2.9	2.5	2.8	10.6
Construction of electrical works for population access to energy	16.7	4.3	4.9	17.6	*27.7*	4.3	5.0	4.5	4.8	18.6
Sanitation of towns and, as a consequence, the cleaning of gutters and the destruction of breeding sites	42.4	47.9	13.0	28.4	*45.8*	6.9	8.1	7.2	7.8	30.2
Social protection and employment	**58.9**	**21.9**	**10.8**	**76.4**	***14.2***	**18.7**	**22.0**	**19.6**	**21.2**	**81.5**
Charitable actions and social assistance	0.7	0.3	0.1	0.7	*16.4*	0.2	0.2	0.2	0.2	0.8
Integration and social and economic reintegration of disabled people and minorities	0.4	0.3	0.1	0.6	*15.7*	0.1	0.2	0.2	0.2	0.6
Support for vulnerable people and street children	28.1	21.3	10.6	43.4	*24.4*	10.6	12.5	11.1	12.0	46.3
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	0.0	3.2	*0.6*	0.8	0.9	0.8	0.9	3.4
Implementation of universal health insurance	26.9	0.0	0.0	28.4	*0.0*	7.0	8.2	7.3	7.9	30.3
Agriculture, fishing and livestock	**16.9**	**10.1**	**1.9**	**20.1**	***9.4***	**4.9**	**5.8**	**5.1**	**5.6**	**21.4**
Supervision program for market gardeners in urban and rural centers	9.9	6.0	0.0	12.3	*0.0*	3.0	3.5	3.1	3.4	13.0
Improved seed distribution program	0.5	1.3	0.3	0.8	*36.8*	0.2	0.2	0.2	0.2	0.9
Agricultural techniques outreach and demonstration program	2.7	2.2	1.2	3.1	*39.8*	0.8	0.9	0.8	0.9	3.3
Livestock techniques demonstration program	3.7	0.5	0.3	3.8	*7.4*	0.9	1.1	1.0	1.1	4.1
Bovine sharecropping program	0.1	0.1	0.1	0.1	*58.4*	0.0	0.0	0.0	0.0	0.1
Promotion of women	**4.8**	**2.3**	**1.0**	**5.6**	***18.2***	**1.4**	**1.6**	**1.4**	**1.5**	**5.9**
Gender issue	2.9	1.6	0.6	2.8	*22.4*	0.7	0.8	0.7	0.8	3.0
Self-employment and training in small trades through income-generating activities for the benefit of women and young mothers	2.0	0.7	0.4	2.8	*14.0*	0.7	0.8	0.7	0.8	2.9
TOTAL	**479.5**	**290.7**	**133.2**	**557.0**	***23.9***	**136.5**	**160.2**	**142.4**	**154.3**	**593.3**

Source: Congolese authorities.

Annex I. 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, FDI and financial flows, and payment systems, and lead to refugee flows.	**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, uncertainty, and export restrictions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability.	**High**	**High** Given Congo's dependency on oil revenue and export proceeds, higher than expected commodity prices are an upside risk that could support the fiscal strategy and the external sector, and efforts to diversify the economy. Oil supply disruptions in Congo are a downside risk 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. Continued food price pressures could add to domestic inflation and intensify food insecurity.	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. Bolster social assistance programs to help the most

[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
			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 market fragmentation causing sudden stops in EMDEs.	**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 financial sector fragility, major central banks pause monetary policy tightening or pivot to loosen policy stance prematurely, de-anchoring inflation expectations, triggering a wage-price spiral and spillovers to financial 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 result in a more rapid reconfiguration of trade and FDI, supply disruptions, protectionism, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth.	**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
		Country-specific risks	
Social discontent. High inflation, real income loss, and spillovers from crises in other countries (including migration) worsen inequality, trigger social unrest, and give rise to financing pressures and detrimental populist policies. This exacerbates imbalances, slows growth, and triggers market repricing.	**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 implementation of structural reforms. Key structural reforms included those to enhance the fiscal position and governance, are not implemented.	**Medium**	**High** Negative impact on investment, the support from development partners and ultimately on long term economic growth.	Enhance the institutional framework to be able to implement critical reforms without delay.
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.

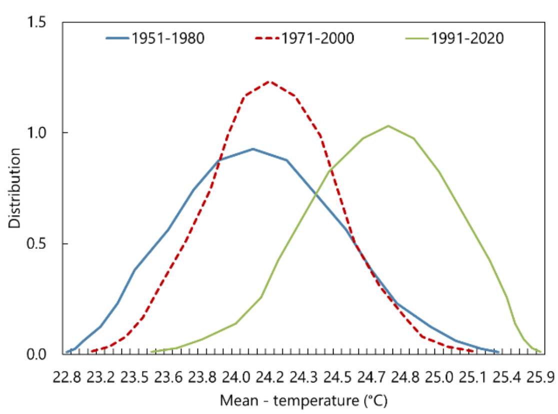
Annex II. Climate Change as Source of Fragility

1. **The Republic of Congo is exposed to fragilities around climate change.** As a fragile state, Congo is particularly susceptible to the disproportionate and severe impact of climate shocks, as noted by the IMF in 2023[1]. Following the global trend, Congo faces rising sea levels, increasing average temperatures, and more erratic rainfall patterns, which are prone to impede labor productivity, to aggravate existing issues in the health system, to impair agricultural productivity, and to intensify already present flooding risks. These risks can add to humanitarian challenges and increase the risk for and/or the intensity of social conflict. In addition, climate change comes with the potential for significant and persistent GDP losses. Congo's existing economic model is particularly sensitive to the effects of climate change, also the global energy transition is likely to reduce the demand for oil and depreciate the asset of the oil sector.

Figure A1. Republic of Congo: Environmental Risks, 2020–2032

Impact of climate change has increased significantly over the past thirty years…

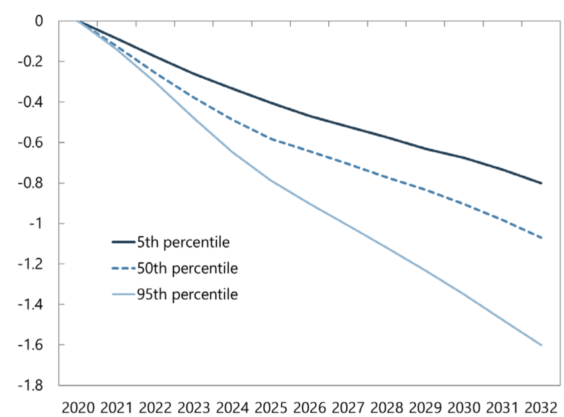
Change in Distribution of Mean-Temperature



…while continuing with current policies would, conservatively estimated, imply over the next ten years substantial GDP losses for median-level chronic climate damages.

GDP loss

(Percent of GDP)[1]



Sources: World Bank, IMF Staff Estimates and Projections

[1] GDP losses displayed are based on the most lenient transition scenario for the continuation of current policies available in the IMF's "Potential National Income Loss from Chronic Climate Damages" database. The losses in the database are computed from simple damage functions based on temperature outcomes inferred from the respective scenarios. The damage intensity chosen is the lowest available, i.e., the one labeled "Median" in the database. Cf. https://climatedata.imf.org/pages/country-data.

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[1] IMF, *"Climate Challenges in Fragile and Conflict-Affected States"*, Staff Climate Notes, 2023

2. Climate change could, if not combatted, deepen poverty and social fragility. Reduced labor productivity, impaired agricultural productivity, aggravated health problems, and higher flooding risk are likely to affect predominantly vulnerable population groups. Lower labor productivity, caused by heat stress and exacerbated by aggravated health risks, would impose a risk to production and income generation, in particular in labor intensive and lower skill sectors such as agriculture and services. Impairment to the productivity of the agricultural sector would hamper Congo's economic diversification strategy and further expose the population—in particular its vulnerable parts—to the risk of international food price fluctuations and food insecurity.[2] Higher flooding risks would impact transport networks already in a dire state, poorer neighborhoods with weaker infrastructure and rural agricultural production.[3] Aggravated health risks, such as increased contagion capacity of infectious diseases, affect groups with limited access to vaccines and medical services and especially the rural population.

3. Recent national policy plans require a consistent set of concrete mitigation or adaptation strategies. Congo's Nationally Determined Contributions[4] (NDC) identify the most vulnerable sectors to climate change and outline mitigation and adaptation measures. Congo's National Development Plan 2022-2026 (NDP) mentions some measures that relate to environmental risks, but efforts should be stepped up to address the topic of climate change more systematically. The 2023 Climate Public Investment Management Assessment (C-PIMA) of the IMF diagnoses a lack of consistency and/or coordination in between Congo's policy initiatives related to climate change. The development of more systematic policy plans to address the most pressing issues could build on proposals from the WB's Country Climate and Development Report (CCDR) which suggests an array of sector-specific policy options as well as the inclusion of climate change issues as a priority into institutional set-ups and governance principles.[5]

4. Greenhouse gas sequestration could serve as starting point for the development of a policy mix systematically addressing climate change issues. As part of the Congo basin, Congo sequesters through its tropical rain forests and peatlands sizeable amounts of GHG.[6] Gaps in forest protection and missing alternative economic opportunities in respective regions can, through deforestation, threaten this potential. The continued development of a sustainable forestry industry featuring principles such as adequate forest management, local production, and transparent

[2] Agriculture constitutes 7 percent of GDP, employs 36 percent of the workforce and is key priority in Congo's development strategy.

[3] In the second half of 2022 about 170000 people and thousands of hectares of farmland were reported to be affected by floodings (OCHA, 2022).

[4] Congo's NDC for 2030 require a reduction of GHG emissions by 32 percent of the emission level realized in 2017.

[5] The proposals cover agriculture, forestry, the oil and gas sector, the water sector, electric power, transport, and human capital.

[6] Quantitative estimates on the topic vary heavily. According to some WB data Congo's forests and peatland sequester yearly about 1.5 percent of annual global CO2e emissions caused by energy use, which would imply a sequestration of around 750 million tons of GHGs in 2021, rendering the Congo to a sizeable net GHG sink. Other sources report a sequestration of around 32.5 million (CCDR), while data provided by the Food and Agriculture Organization of the United Nations (FAO) suggests that the stock of GHG captured in Congo's forests declines by 2mn ton per year.

licensing and efforts to strengthen participation in carbon markets could be key elements in progress towards a consistent policy mix for climate change mitigation and adaptation. Such strategy would also include the prioritization of renewable energies, a strategy toward climate-resilient infrastructure, and continued structural reforms to promote the health system and attract additional funding to climate mitigation and adaptation.

5. Limited fiscal resources, however, hamper mitigation and adaptation. High debt levels (¶14) and the need to continue fiscal consolidation (¶15) are likely to limit the space available for investments into climate mitigation and adaptation. According to World Bank estimates the cumulative mitigation and adaptation measures needed to achieve Congo's NDC to the reduction of GHG emissions would require investments of $8.2 billion (57% of GDP projected for 2023),[7] exceeding the total public capital expenditures foreseen until end-of 2030. Hence external and/or private investments would be needed. Additional progress in structural reforms (¶21) could help shore up private investment and thus facilitate the funding of investment needed for successful mitigation and adaptation. Concessional finance from climate funds and access to international credit carbon markets constitute a complementary source for funding investments in climate change adaptation and mitigation.

[7] $3.8 bn would be needed for funding adaptation and $4.4 bn for mitigation measures (NDC Congo, 2021).

Appendix I. Letter of Intent

Brazzaville, November 29, 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. While we continue to face high debt levels, we see progress in restoring our fiscal position, for example by preserving the 2023 budget envelope as foreseen in the third review through a prudent execution of spending. Repayment of domestic arrears and sustained investments in infrastructure help invigorate economic growth, while we are making every effort to ramp up social assistance spending target to the most vulnerable. The oil sector resumed recently to grow owing to a pick-up in oil production and still favorable oil prices. 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 recent pick-up in inflation, particularly for imported input materials, food, and fuel products.

3. Against this backdrop, our country's performance under the three-year ECF arrangement has been broadly satisfactory. The performance criterion (PC) on the basic non-oil primary balance was missed for end-June 2023 on account of higher-than-expected external debt service that is contingent on oil prices. The continuous PC on non-accumulation of external arrears was missed due to delays of more than one month in payment of debt service to four creditors caused by organizational weaknesses. Strong corrective measures are taken. We swiftly repaid all respective claims and are committed to address the issue by reappointing members with higher seniority levels to the dedicated task force to ensure future timely payment of all debt service due. In addition, the implementation of the reorganization of the debt management

office (Caisse Congolaise d'Amortissement, CCA) is accelerated to address capacity issues (SBs end-December 2023 and end-March 2024). All other PCs at end-June 2023, namely on net domestic financing, new non-concessional or collateralized external debt, were met. In the same vein, we have met all indicative targets for end-June 2023 except for the minimal threshold social spending, as respective spending execution was delayed in 2023.

4. Progress in structural reforms experienced delays owing to capacity constraints in some part of the administration. The stock-taking on hydrocarbon-related VAT administration and the list of selection criteria for public investments projects also including climate aspects has been completed, albeit with some delay, in November 2023. The increase in the resources available to the Lisungi and Telema cash transfer programs have not been completed, but our commitment to deliver on this SB remains unaltered. Concerning the SBs due in December 2023, progress continues towards the formalization of a standard methodology for the assessment of investment projects and the approval of the new CCA organigram by the Council of Ministers and subsequent submission to parliament, while the enactment of a single legislation that integrates all hydrocarbon-related VAT laws, has been reformulated and postponed to end-March 2024 to allow for an IMF TA.

5. The attached Memorandum of Economic and Financial Policies (MEFP), which supplements the one signed on June 24, 2023, 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, 3 and 4 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 private sector development.

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 action, we are requesting (i) waivers of non-observance for the end-June 2023 quantitative performance criterion on the basic non-oil primary fiscal balance and

the continuous performance criteria on the non-accumulation of new external arrears; (ii) the modification of the quantitative criterion on the net domestic central government financing for end-December 2023, of the criteria on the basic non-oil primary balance and on the net domestic central government financing for end-June 2024, and the indictive targets for end-December 2023, end-March 2024, and end-June 2024; and (iii) completion of the financing assurances review and the fourth 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, 2023–25

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.

- Economic growth is on track to reach 4 percent in 2023, with the oil sector expected at 4.4 percent and non-oil at 3.9 percent. Production in the oil sector recovered in the first semester (by about 4 percent year on year) after three years of contraction. This improvement can be attributed to the good performance of the fields overall and the entry into production of a new oil field. The revival of investments observed since the end of 2021 has started to bear fruit. Private investment and consumption should perform well, driven by the agricultural sector, the food industry, the mining sector, construction, and services.

- Inflation picked up in recent months and is expected to increase from 3 percent in 2022 to 4.5 percent on average in 2023, owing to higher energy prices, supply chain disruptions, and lingering cost-push shocks resulting from the recent increase in import prices.

- The current account surplus is expected to moderate to 2.4 percent of GDP, against 18 percent of GDP in 2022, reflecting higher imports and lower oil prices. The current account surplus allows for continued reduction of external debt, driven by substantial external debt service repayment, including oil pre-purchased debt.

- The official reserve assets stood at 466 billion by the end of August 2023, down compared to the end of 2022, in line with external debt repayment and a rise in import costs.

- The banking system remains relatively sound, but with significant vulnerabilities. Non-performing loans (NPLs) remained broadly stable at end June 2023, reflecting mainly the positive impact linked to the continued domestic arrears' payments and the repayment of parts of state-owned enterprises' (SOE) debt. Growth of credit to private sector remained sluggish, reflecting mainly tighter monetary conditions and bank's preference for domestic treasuries issuance.

- The increase in non-oil revenues, driven by direct taxes, coupled with moderate primary expenditures, has helped contain the non-oil primary deficit - the trajectory of which anchors the debt sustainability in the IMF agreement - as of the end of June 2023, at a level lower than the projected 420 billion FCFA. The strong performance of non-oil revenues was also supported by high dividends from SNPC. However, customs duties underperformed due to the extension of the resilience plan measures. Robust oil prices generated higher oil revenues than initially anticipated, implying an overall balance of CFAF 240 billion instead of the CFAF 58 billion projected earlier. However, the accumulation of government deposits at the central bank remained tepid.

2. **Economic growth is expected to strengthen and reach an average 4 percent in the medium – term.** The non-oil sector will be the main driver of growth, accelerating from 3.9 percent in 2023 to an average of 4.8 percent by 2026–28. Agriculture, mining, manufacturing, and services' expansions are expected to be supported by a rise in social (health care, education) and infrastructure spending, continued repayment of domestic arrears, 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. Oil GDP growth is projected to peak at 6.5 percent in 2024, and then gradually declining as major oil fields mature. Inflation is expected to slow to 3.6% in 2024, following the expected easing of inflationary pressures observed in 2023. In the medium term, inflation is expected to stabilize at around 3%, thanks to the decline in global inflation rates and tighter regional monetary policy to promote convergence towards the CEMAC inflation target. 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 an improvement in targeted social welfare and continued repayment of domestic arrears. The current account surplus will continue to soften, turning into a deficit by 2026—reflecting moderating oil exports and growing non-oil investment pushing imports growth.

3. **Downside risks are elevated.** 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 undermine fiscal sustainability, hamper private investment decisions and economic diversification if oil prices were to increase; 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 accelerate economic diversification. 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 may facilitate foreign private financing such as carbon credits.

II. ECONOMIC AND FINANCIAL PROGRAM FOR 2023–24

4. **In line with our National Development Plan, we continue to be committed to implementing a strong and ambitious economic program that will steer Congo away from**

fragility and lead to resilience. 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. Addressing these challenges and exiting fragility necessitates a fundamental economic transformation, centered around economic diversification, good governance, and resilience to climate change. This transformation should result in more jobs and higher, more resilient, and inclusive growth.

5. 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 financing; (iii) strengthening public investment and debt management which, combined with fiscal consolidation and arrears payments, will reduce debt vulnerability; and (iv) effective implementation of anti-corruption, 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 priority spending for reducing poverty and boosting economic diversification, resilience, and growth.

6. The medium-term fiscal stance will remain anchored on gradual consolidation of the non-oil primary balance by 10 percentage points of non-oil GDP, which is 6.5 percentage points of GDP, between 2022 and 2028. Oil revenues as a percentage of GDP are expected to stabilize at 19.2% in 2022-23, and gradually decline over the medium term to reach 11.1% in 2028, due to aging oil fields. Sustained overall primary surpluses will enable repayment of both external debt and domestic arrears. The public debt-to-GDP ratio is expected to gradually decline from 92.5 percent in 2022 to 65.9 percent in 2028. Risks emanate from volatile oil prices and the availability of financing from the domestic and regional financial markets. Negative oil price shocks can be mitigated by debt servicing to the two largest external commercial creditors.

7. Repayment of external debt obligations continues. Since the conclusion of the third review of the ECF arrangement (IMF Country Report 23/271), $20.2 million of new "program" arrears have been accumulated, but they have already been repaid in full. The delays occurred due to operational difficulties in debt management. We have made efforts to improve our internal communication to avoid a recurrence of these arrears. The task force, put in place in March 2023, includes the Cabinet of the Minister of Economy and Finance, the CCA, the Central Bank, and the Treasury. It will be reshuffled with members having more decision-making power. The ongoing reorganization of the CCA will be expedited (¶20). In addition, we have cleared arrears to all but one commercial supplier and are engaged in the resolution of the arrears owed to the remaining supplier. The government remains committed to avoiding new accumulation of domestic or external arrears. In addition, we plan on: (i) setting up a dedicated sub-account within the Treasury Single Account (TSA) at BEAC; (ii) discussing with development partners (AfDB, France, and World Bank) ways to ensure their disbursements are carried out on time; and (iii) ensuring that spending is executed in line with good practices in public financial management, with a view to putting an end to off-budget expenditures (¶14). We will continue our efforts, including before the courts, to resolve disputes relating to external debts, thus removing all uncertainties concerning the level of our public debt.

8. **Consistent with the amended 2023 budget law, we will continue fiscal consolidation efforts, while prioritizing social and growth-enhancing capital spending.** The non-oil primary deficit target is 11.7 percent of non-oil GDP, which relies on mobilizing domestic non-oil revenues and rationalizing non-priority spending through the following measures:

- Continued phasing out of fuel subsidies. Total oil-related transfers (including to SNPC, CORAF, and CEC, and subsidies for public transportation, kerosene, and butane gas) will be reduced to CFAF 106 billion in 2023 and to only CFAF 47 billion in 2024; Transfers to SNPC will be completely eliminated by 2024. This gradual removal of fuel subsidies is in line with the ongoing process of fuel prices deregulation (discussed in the next bullet).

- The gradual increase in retail and entry distribution prices (EDP) of fuel during 2023–24—will be accompanied by a clear communication strategy and an update of the EDP pricing formula to take account of improvements in CORAF's operating efficiency since 2016.

- [1] On the basis of past transfers to CORAF, we are committed to setting this coefficient explicitly and comparing it with the contractual obligations. Thus, we will make corrections, if necessary, in order to strictly apply the economic adjustment of 10 percent as recommended in the second amendment. Transfers to CORAF and the EDP will be adjusted accordingly.

- In the context of the fuel subsidies reform, we increased gasoline fuel prices by 24 percent in July, while aligning the fuel prices paid by all manufacturers to at least those charged at the pump.[2] We subsequently increased diesel prices by 25 percent in November 2023. We will accelerate the implementation of mitigation measures (mainly the improvement of the urban transport service and support for the Lisungi and Telema Projects) and intensify communication efforts to promote the acceptance of respective reforms. For the future, we will request IMF Technical Assistance in view of improving its efficiency and, ultimately,

[1] The performance contract between the government and CORAF initially set an economic adjustment coefficient of 25 percent in 2005, which was expected to decline gradually. This adjustment coefficient was readjusted through two amendments, first to 15 percent and then to 10 percent at the end of 2017. In practice, transfers to CORAF result from consultations between the latter and related ministries. The amounts granted correspond to an implicit coefficient that may vary to account for the CORAF's efficiency gain.

[2] We are committed to granting no 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.

putting in place an automatic price adjustment mechanism. Thus, adjustments to retail fuel prices and EDP will fully reflect international prices by end 2024.

  - The impact on poorer households is expected to be contained, thanks to the progressivity of the energy reforms, to subsidies for public transportation, kerosene, and butane gas, to improvements in the road network, and to an expansion of targeted social assistance. For example, social transfer allocations have been increased compared to the initial 2023 budget. In particular, we are committed to increasing (i) resources allocated to monetary transfer programs in 2023 (Lisungi and Telema projects), compared 2022; and (ii) coverage and payment for beneficiary households (structural benchmark for end-July 2023). The slow release of allocated resources is due to an emergency reallocation to the fight against epidemics contagious diseases that have emerged in different regions of the country.

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

- Maintaining revenue-improving measures adopted over the past three years, such as: electronic payments; broadening of the tax base (especially in the land sector following the conclusion of the 2022 land survey); phasing out of corporate tax exemptions if investment agreements are violated; reducing customs exemption rates for certain beneficiaries and eliminating exemptions for others; increasing excise taxes in line with CEMAC guidelines; and increasing collection of arrears on tax and customs duties.

  - The collection of tax arrears will be achieved through a full inventory these arrears and their recovery probability. The committee in charge of this task has also prepared an arrears recovery strategy. This strategy consists, among others, of 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. The recovery of tax arrears is expected to reach CFAF 5 billion in 2023.
  - Putting in place effective procedures for monitoring tax arrears and for their systematic collection. We expect to reduce delays in tax payments by taking advantage of the digitalization of tax administration.

- Targeting reduced rates of VAT and customs duties on essential food imports to help the population cope with the high level of inflation.

- The revision of the regulatory framework of taxation applicable to oil operators has generated additional revenues of CFAF 17 billion in 2023.

- Elimination of VAT and customs duty exemptions for SNPC (projected to yield CFAF 11 billion) and payment by CORAF of VAT on its sales (projected to yield

CFAF 12 billion) are on track. Furthermore, SNPC has paid CFAF 27 billion at end-June 2023. Extending regular dividend payments to other public enterprises could generate additional revenues.

- Continued increase in social and development spending, especially in the areas of health, sanitation, education, and agriculture.
- Implementation of the next stages of reforms adopted in 2019 to reduce transfers to SOEs, especially CORAF and CEC.
- Containment of the wage bill by ending automatic replacement of retiring staff (except those in ministries in charge of health, education, and social policy), 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 clearance plan.
- Some of the oil revenues net of external debt service expected for 2023 will finance the budget, while the bulk will be used to amortize debt, clear arrears and to establish reserves in the form of deposits at BEAC.
- We will actively monitor fiscal risks, especially from spending overruns, revenue shortfalls, or lower-than-expected oil production. Should these risks materialize, contingency measures include streamlining non-essential spending and slowing capital spending and domestic arrears clearance (which have been backloaded in the revised 2023 budget for this purpose).

To reach this revised target on 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.

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

- In the education sector, we continue to focus on all education levels, but we are providing free school supplies, textbooks, and meals only for primary education. We continue to expand the number of educational institutions. Primary and secondary education spending is expected to reach CFAF 144 billion (2.2 percent of non-oil GDP) in 2023, compared to 1.7 percent of non-oil GDP budgeted in 2022.
- Regarding social protection, we are raising disbursements to CFAF 76 billion (1.1 percent of non-oil GDP) in 2023, compared to CFAF 21.9 billion (0.4 percent of non-oil GDP) in 2022. This includes the pandemic-related emergency cash transfer program for which the amount paid to each household was raised to support households facing secondary effects from the gradual elimination of subsidies on fuel prices and still elevated food prices. The program's coverage will be increased from 280,000 beneficiaries at end-2022 to 320,000 by end-2023.

We will also continue expanding the Single Social Register (SSR), which already has 893,058 registered households. Anchoring social programs and other social assistance structures on the SSR has become necessary to improve the targeting and impact of these programs. The successful piloting of mobile payments is being expanded.

- In 2023, thanks to the new coverage areas of the Lisungi Project, we plan to extend the SSR database to reach 920,000 registered households. Hence, we expect to reach experimental interoperability with the communication systems of personal identification and civil status. For the Lisungi Project, we plan on targeting 45,000 young people in 2023 to benefit from production subsidies and start-up grants. We likewise plan to target 20,000 beneficiary households for conditional cash transfers and income-generating activities. As part of the National Social Safety Net Program, we launched the targeting of 65,000 households in 2023 to be incorporated by 2025.

- Capital spending is expected to increase to CFAF 458 billion (7 percent of non-oil GDP) in 2023, partly financed by development partners. Priority development projects are aligned with the 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. Moreover, efforts to build a solid foundation for the structural transformation of our economy will lead to continuation of programs aimed at promoting tourism, industry, the digital economy, and special economic zones.

10. 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 is estimated at CFAF 1,455 billion (23.6 percent of non-oil GDP) at end-2022. We repaid CFAF 431 billion (7 percent of non-oil GDP) in 2022. We are on track to achieve the target of this year with 102 billion of arrears repaid in the first half of 2023 out of the 110 billion expected. Going forward, we intend to repay all of our arrears, based on the new arrears' clearance strategy adopted in October 2023. This will involve prioritizing: (i) payment of commercial debt for which there is an agreement, subject to no haircut; (ii) payment of social arrears, subject to no haircut; and (iii) payment of domestic commercial arrears, where haircuts will be applied following three modalities depending on the due amounts and the time the payment is expected. However, despite these efforts, domestic debt did not decrease due to: (i) the inclusion of 360 billion FCFA to the stock of debt for social arrears, (ii) the possible inclusion of accumulated domestic arrears over 2019–22, audits of which are underway, (iii) the securitization of 269 billion FCFA for arrears on the employer's share of social contributions owed by the State and its branches. To avoid the emergence of new arrears on social contributions, we commit, in the 2024 budget, to: (i) improving payroll budgeting to include all elements related to payments of social contributions and to ensure that these payments are effective, and paid to state's agents pension funds (ii) ensuring that the branches of the State are up to date on social contributions, (iii) carrying out an annual census of social debts (especially arrears on social contributions) following the approach for commercial debts submitted to the CCA (result of censuses for year n-1 available in year n). Furthermore, to better control of the domestic debt, we will ensure strict use of registered bond certificates, and that the CCA is informed in advance of any new issuance of these certificates with a view to their inclusion in the domestic debt of the current year.

11. Fiscal consolidation should continue in 2024 with a budget consistent with the program parameters. We have submitted to Parliament a budget law which aims to improve the non-oil primary balance to at least CFAF 704 billion (9.8% of non-oil GDP, prior action). This fiscal target should be achieved mainly through recent reforms to liberalize fuel prices and remove subsidies to public enterprises. In particular, this budget law marks the beginning of the removal of oil-related transfers to SOEs such as CORAF, SNPC and CEC. Also, public enterprises, SNPC, in particular, have started to regularly pay higher dividends to central government budget. Furthermore, continued efforts to mobilize non-oil tax resources will set the stage for strengthened fiscal discipline. New tax measures, aimed at broadening the tax base and rationalizing tax expenditures, include: (i) partial removal of exemptions from customs duties on certain food products under the resilience plan in October 2023; (ii) introduction of excise duties in accordance with CEMAC guidelines; (iii) application of the Unique Identification Number (NIU) to all commercial and financial transactions, which would allow the extension of the tax base for the informal sector[3], (iii) digitalization of tax procedures, notably though the introduction of the E-TAX and the interconnection of the tax administration. On the expenditure side, we will continue our rationalization and prioritization efforts. Current spending on goods and services will be contained while social and investment spending will be raised. We are also committed to strengthening efforts in the execution of social spending, in particular with stricter instructions given to related Ministries to accelerate authorization procedures.

12. Over the medium term, we plan on pursuing the fiscal strategy outlined above. Specifically, we plan to reduce the non-oil primary fiscal deficit from 15.7 to 5.4 percent of non-oil GDP over the 2022–28 period. To meet this objective while also increasing social and capital spending over the 2022–24 period, we will implement the following measures to enhance revenues and reduce non-priority spending (in addition to continuing the measures applied in the 2023 and 2024 budgets):

- Improve administration of hydrocarbon-related VAT and eliminate related VAT exemptions. To this end, a comprehensive stock-taking of the administration of hydrocarbon-related VAT (including exemptions) has been finalized in November 2023 (Structural Benchmark end-June 2023), but with a delay. The enactment or adoption of the related tax laws should be completed by end-March 2024 (Structural Benchmark). 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).

[3] However, in order to limit the tax pressure to promote small business, investment, and domestic production, we have not introduced new taxes or increased existing taxes in this budget law.

- Develop an action plan for streamlining non-hydrocarbon tax exemptions. Previous IMF Technical Assistance 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 (towards 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 program-based budgeting, which is expected to start in 2025. 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 operationalized 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 have been updated and systematized. With the support of IMF technical assistance (public investment management assessment), we have 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 continue to improve the effectiveness of public investment implementation, especially given large infrastructure spending needs. Here, among other efforts, we have reviewed the World Bank-supported survey on the effectiveness of past investment. Based on this review, we have developed an action plan to improve the effectiveness of public investment, including facilitating project implementation early in the financial year. As an illustration, we have developed the (i) laws related to the general framework of public investments, (ii) the laws on project development, and (iii) the study fund.

17. We will maintain our efforts in terms of prudent debt management and transparency, to enhance debt sustainability. The government will exclusively use concessional external loans for the duration of the program—except for 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 that 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, medium term debt strategy plans, and borrowing plans, added to the budget and those executed need to be consistent with each other. 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 strengthen investors base relationship management on the regional bond market, a consultation framework will be formalized and enforced with Congo's Primary dealers' network from CEMAC. The main objective is to leverage on this privileged relation to diversify the investor base and to target a better coverage of issuances at lower costs.

21. In order to align it with international standards, the *Caisse Congolaise d'Amortissement* (CCA) is being reorganized. The process (developed with the support of IMF TA) should be complete by end-2023. Among the main completed steps by the end of March 2023 was the submission of the bill and the draft decree, which includes the organizational chart of the CCA, to the General Secretariat of the Government. The aim is also to ensure its coherence with the organic framework of the Public Administration. The next steps include (i) the approval of the new organizational structure of the CCA by the Council of Ministers and the submission of the law to Parliament by the end of 2023 (Structural benchmark, end-December 2023), and (ii) the complete reorganization of the CCA by the end of March 2024. This entails the adoption of all laws and regulations related to the CCA's reorganization, recruitment of the required personnel, completion of necessary training, and the adoption of a new procedure manual (Structural benchmark, end-March 2024). 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, portfolio risk management and accountability. We are committed to ensuring better sharing of information across the CCA, the Treasury, and the BEAC.

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

- We strive to regularly publish 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 the annual debt report of 2021 in March 2022 on the Ministry of Economy and Finance's website. With the technical assistance from the IMF and the World Bank, we refined this information and provided more details on the composition of public enterprises' debt in the 2022 annual report. To accommodate these developments, an update of the ministerial decree and the public enterprises reporting model is planned.

- We have already published two comprehensive annual reports on 2021 (structural benchmark) and 2022 public debt. Among other information, this report includes further details on the guaranteed and unguaranteed debt of the 10 largest SOEs. 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 (debt outstanding, 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

23. The government is committed to continuing substantive energy sector reforms that are critical for improving governance, reducing contingent liabilities of energy sector SOEs, mobilizing revenues, and rationalizing spending. The phasing out of explicit fuel subsidies in 2023-24 will support revenue though increased savings and promote the green transition. An updated version of the 2005 regulatory framework based on fuel prices will be implemented with provisions of sufficient social assistance to mitigate the impact of fuel price increases on vulnerable groups. Fuel subsidies reform will be implemented through a clear communication strategy to ensure public awareness of the price mechanism. The accompanying measures set out in ¶9 and 12 will contribute to enhancing the governance of state-owned enterprises. The governance of state-owned enterprises in the energy sector will be further strengthened by the annual publication of audit reports, similar to those already published by the SNPC.

24. We are developing an action plan for the next phase of reforms aimed at reducing transfers and subsidies, especially to CORAF and CEC. In the case of CORAF, the government is committed to continue enforcing (i) effective implementation of the performance contract, focusing on efforts aimed at reducing operating and administrative costs and undertaking only prudent investments; (ii) full payment of government-supplied crude oil, to be deposited on the Treasury Single Account (TSA) when operational; (iii) sales of petroleum products directly to the distribution companies, as well as effective recovery of revenues from those sales. Moreover, the ministries responsible for finance, trade, and hydrocarbons will conduct a quarterly review of the parameters for controlling the pricing mechanism for refined petrol products, that is aligned with fuel price deregulation plans. As a result, government subsidies to CEC will continue to be based on quarterly reporting on its expenditures and turnover, including claims on the energy sector. Implicit subsidies will be reduced through strict enforcement of regulations. We plan to clarify the collection of VAT on petroleum products, starting with price structures. Additionally, (i) no VAT exemption will be granted on fuel imports and (ii) no customs exemption (exit duty and computer fee) will be granted on petroleum product imports. As for CEC, the government will continue taking strong steps to preserve its operational viability through reducing losses in the short term and recovering production costs over the medium term (this part of the plan will be completed by mid-2024). Efforts are being made to improve the electricity billing process and coverage to reflect actual electricity consumption. 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.

25. The government will take additional actions to improve transparency and revenues in the oil sector. We have commissioned an internationally recognized auditing 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 oil flow reconciliation report is expected to be published in 2024 and made publicly available on the Ministry of Economy and Finance website. Furthermore, the government will continue to publish a table listing all natural resource concessions holders (including mining, forestry, and oil concessions). We will continue to conduct audits (led by internationally renowned audit firms) of the oil costs declared by oil companies under production sharing agreements. With the support of the World Bank, we have developed regulations on monitoring, control, and verification methods for upstream activities in the hydrocarbon sector, aimed at enhancing the effectiveness of oversight for oil and gas operations. The audit campaigns, now aligned with the new decree, will continue for all valid oil licenses. If necessary, we may also request IMF technical assistance on best practices in natural resource management.

26. We will also strengthen our institutional framework and our statistical apparatus, to take into account the emergence of new subsectors in the energy area. Congo has a strong gas potential that is attracting large investments, whose production is expected to start in 2024. We are developing the regulatory framework (gas code) governing gas operations, with the assistance of the World Bank. The gas code is expected to be published prior to end-December 2024. Our goal is to make this framework as balanced as possible, preserving the country's limited resources while allowing new projects in the sector to get return on investment. We will regularly consult the World Bank and IMF staff if necessary. National statistics teams are working on integrating this new sector into our national accounts. We will consult World Bank and IMF Staff and may request technical assistance to improve the local statistical capacity to monitor gas sector data.

D. Public Financial Management and Governance Reforms

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

- Organic Law No. 32-2023 of October 25, 2023, determining the attributions, organization, composition and functioning of the Court of Accounts and Budgetary Discipline (CABD) as well as the procedure to follow was published in the official journal; the implementing texts are currently being developed.
- We continue to implement the new medium-term strategy for Public Financial Management (PFM) reforms, which was developed with technical assistance from the IMF. We will focus, in the short term, on synchronizing progress across all ministries involved. The full 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.

- We have developed and implemented a legal and regulatory framework for public–private partnerships (PPPs) since December 30, 2022, 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 Portfolio.

- 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, which must be elaborated at the end 2023 by a steering committee in charge of TSA implementation) after gradually 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 (in the first half of 2024, following the implementation of the new Central Bank software "AMS/X"). 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) if there are free resources in the government's escrow account in China, they will not be used for purposes other than to be regularly repatriated into the TSA; and (ii) all 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.

- 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. This committee held for the first time in October 2023.

- 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). This structural benchmark is not respected because the publication of the list of selection criteria requires to be supported by a decree. However, in order to achieve this SB, the list of criteria has been published in November 2023. We are also committed 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).

28. 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 budget reporting and commitment plan should become operational by June 2024 (structural benchmark), and the functionality related to accrual accounting and program-based budgeting must be ready by end-2023. Cash management and procurement plan modules 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 public revenue collection (oil and non-oil) 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 in February 2023 that facilitated the drawing up of an action plan related to SIGFIP implementation. The government is committed to update this action plan for SIGFIP. In September 2023, another IMF mission took stock of the implementation of this action plan and assisted the authorities in computerizing the development and execution of the commitment plan which should serve as a tool for steering budget execution and predictability of public expenditure execution. 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.

E. Governance and Anti-Corruption

29. 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 steps to address 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 and effective enforcement of laws 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 and 2022 reports by December 2023.

30. We are seeking to improve our natural resource management and enforcement of property and contractual rights as well as transparency in the sector. This will be done by committing to operationalizing public registers of licenses in the mining and forestry sectors. 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.

31. Looking to improve governance, we will conduct a comprehensive assessment of the implementation of measures on which committed in the 2018 diagnostic report on governance. We will identify, with the assistance of the IMF, areas for improvement, including those related to the rule of law and transparency, with a view to developing an action plan for 2024 (end-January 2024 structural benchmark). We will also develop an action plan for strengthening anti-money laundering and combating the financing of terrorism (AML/CFT), which will build upon the recommendations from Congo's recently published AML/CFT Mutual Evaluation Report.

32. We have improved our anti-corruption regulations and are working towards strengthening the rule of law and effective law enforcement. 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 website of the Ministry of

Economy and Finance. Likewise, the Ministry of Justice will publish on a quarterly basis, statistics of all indictments and convictions for corruption-related offenses. 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.

33. Convinced of the importance of increasing transparency in public life, we will operationalize the system for managing conflicts of interest and making declarations public. 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. As the declaration of assets is an integral part of conflicts of interest resolution, high-level officials are already covered by this system.[4] 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 conflict-of-interest declarations and make them public 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).

34. The government is making progress in advancing transparency and accountability.

- 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 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 website of the Ministry of Economy and Finance : all final reports of the Inspectorate General of Finance (IGF) for the period 2011-2020; all final 2020 reports of the National Accounts Commission (CCN); 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 CCN; and the list of companies and public entities that are not under the purview of the CCN.

- All reports finalized by the Court of Accounts will be published on the government website within 30 days of being finalized (www.courdescomptes.cg).

[4] 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).

35. 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.

F. Broader Structural Reforms

36. 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 National Development Plan 2022–26 identifies priority sectors for development—including agriculture, manufacturing, tourism, digitalization, and real estate development. 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, we have (i) computerized and published the company register; and (ii) published a complete inventory of fiscal and parafiscal taxes 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.

37. We will also strengthen financial sector resilience and broaden access to finance, which will foster macroeconomic stability, economic diversification, and the building of resilience. In order to facilitate access to a range of suitable, diversified, and affordable financial products and services for vulnerable or excluded populations from traditional financial services, a Regional

Financial Inclusion Strategy (RFIS) has been implemented in CEMAC covering the period 2022–2027. To this end, a memorandum of understanding was signed in July 2022 between the Government and the UNDP to establish a National Financial Inclusion Strategy (NFIS) for Congo. In this context, two experts were recruited in June 2023. Furthermore, the Government has enacted two laws, one on factoring and the other on leasing, aimed at enhancing SMEs' access to financing. Other regulatory measures have been implemented or are being developed for a significant improvement in the legal framework for businesses. These include: i) Order No. 507/MFBPP/CAB setting out the modalities and procedures relating to the registration of approved credit, microfinance, and payment institutions operating in Congo; ii) a decree, currently under consideration by the Government, establishing the national register of movable securities, as well as iii) the decree establishing the modalities and conditions for the registration of real estate titles. The Government will also continue to strengthen the capacities of legal and judicial systems to address financial disputes, aiming to alleviate financial sector-related disputes from clogging the courts. Financial stability will benefit from the reduction in non-performing loans as the clearance of domestic arrears progresses. We will also closely monitor the solvency and liquidity indicators of the banking system and track the progress of the restructuring plans and the liquidation of the fragile banks.

G. Strengthening Statistical Capacities

38. The government continues to prioritize the improvement of public statistical databases. The ministry responsible for statistics is implementing a plan, as part of 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 are in the process of finalizing 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 sufficient progress on the Fifth General Population and Housing Census (RGPH-5), the preliminary results of which are expected at the end of December 2023. During the same period, we will proceed with the validation and publication of the Harmonized Survey report Harmonized on Household Living Conditions (EHCVM) which, like RGPH-5, benefited from financial support from the World Bank. In addition, preparations for the third Demographic and Health Survey (EDS-III) are underway for field data collection during the second half of 2024.

39. 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 Economy and Finance and of the National Institute of Statistics. Some foreign trade statistics are published on the website of the National Institute of Statistics. The quarterly data on VAT exemptions, 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.

H. Funding of the Program

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

I. Program Monitoring

41. The program is subject to semi-annual monitoring by the IMF's Executive Board, on the basis of quantitative criteria and indicators, structural benchmarks, and prior actions as indicated in Tables 1, 2, 3 and 4 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 fifth semi-annual review will be based on data and performance criteria at end-December 2023, and is expected to take place on, or after April 15, 2024. The sixth and final semi-annual review will be based on data and performance criteria at end-June 2024, and is expected to take place on, or after October 15, 2024.

42. Based on the strength of our program, we request modification of some of the future performance criteria. In detail, we ask for modification of the end-December 2023 performance criterion for the government's net domestic financing and for modification of the end-June 2024 performance criteria for the basic non-oil primary balance and government's net domestic financing, as well as the indicative targets from end-December 2023 to end-June 2024.

43. We will strengthen the internal monitoring mechanisms to ensure robust program implementation. A program monitoring committee has been set up and a regulatory text is being developed for its formalization. We have also relaunched, starting in September 2023, the publication on the website of the Ministry of Economy and Finance of tables containing information on program monitoring and implementation, drawn up in consultation with the IMF staff. 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, 2023–24

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

	Type of Criteria	End-June 2023				End-Sept 2023[11]				End-Dec 2023		End-Mar 2024		End-June 2024	
		PC Program	PC Modified Program	Actual	Status	IT Program	IT modified Program	Actual	Status	PC Program	PC Modified Program	IT Program	IT modified Program	PC Program	PC Modified Program
Floor on basic non-oil primary budget balance (excluding oil-related transfers)[2]	PC	-303	-244	-233	Not Met	-444	-369	...	...	-459	-459	-132	-147	-262	-290
Adjusted target (floor)			-172												
Upward adjustment for higher than expected oil-related transfers			0												
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower oil revenue			72												
Ceiling on net domestic financing of the central government	PC	-47	166	127	Met	-121	122	...	...	-67	153	-33	-10	-40	6
Adjusted target (ceiling)			340												
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue			174												
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3,4]	PC	0	0	0	Met	0	0	12	Not Met	0	0	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,5,6,8]	PC	0	0	0	Met	0	0	0	Met	0	0	0	0	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,7]	PC	0	0	0	Met	0	0	0	Met	0	0	0	0	0	0
Floor on non-oil revenues	IT	405	415	444	Met	632	638	...	...	868	880	224	232	457	472
Floor for social and poverty-reducing spending	IT	181	181	98	Not Met	322	322	...	...	402	308	85	82	191	165
Ceiling on disbursements of external loans for investment projects	IT	123	121	108	Met	176	168	...	...	164	165	62	58	112	105
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion)[5,8]	IT	86	87	67	Met	100	102	...	...	143	216	174	216	205	216
Floor on repayment of domestic arrears accumulated by the central government	IT	40	53	102	Met	90	81	...	...	110	379	21	20	42	41
Memo items:															
Oil revenue[9]		584	553	655		965	873	...		1195	1205	321	347	631	681
Expected external assistance, net[10]		-239	-219	-363		-364	-327	...		-484	-401	-91	-108	-172	-195
- BoP assistance (IMF-ECF)		83	79	52		83	79	...		105	105	0	0	26	26
- Budgetary loans and grants (excl. IMF)		88	79	39		127	121	...		194	196	38	6	85	33
- Change in non-program external arrears		0	0	0		0	0	...		0	0	0	0	0	0
Payments for current external debt amortization due after debt relief		328	298	402		491	448	...		678	597	129	114	258	228

[1] Quantitative Performance Criteria and Indicative Targets are defined in the TMU. "Program" columns reported for the last quarter of 2023 and for 2024 represent the PCs and ITs set at the time of the third review of the ECF arrangement; "Modified Program" columns for the last quarter of 2023 and for 2024 represent the modifications to these PCs and ITs proposed during the fourth 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 againsta waiver of non-observance from the Board at the time of the third review (July 2023), due to arrears that were incurred March 2023 and resolved 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.

[11] The continuous quantitative performance criteria on the non-accumulation of external arrears was breached in July and a waiver of non-observance has been requested by the authorities.

Table 2. Republic of Congo: Structural Benchmarks 2023–24

Measures	Target date	Status	Macroeconomic Rationale
A comprehensive stock-taking of hydrocarbon-related VAT administration (including exemptions).	End-June 2023	Not met, completed in mid-November 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	Not met	Reduce fragility, maintain social stability, reduce inequalities, and promote social inclusion.
Define and publish a list of selection criteria (in line with C-PIMA recommendations), integrating the climate dimension.	End-September 2023	Not met, completed early November 2023	Improve public investment management.
Formalize a standard methodology for the preliminary assessment of projects, considering climate aspects, including risk analysis. [1]	End-December 2023		Improve public investment management.
Enactment of hydrocarbon-related VAT tax laws, eliminating VAT exemptions in the process. [2]	End-March 2024		Improve tax administration and support domestic revenue mobilization efforts.
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.

[1] The standard methodology for the assessment of investment projects has been elaborated; but the inclusion of the climate dimension is still pending.

[2] While a single hydrocarbon VAT law is generally best practice, potential complications from a legal standpoint led to the reformulation of the SB, which now focuses more on the removal of VAT exemptions while keeping separate the upstream and downstream hydrocarbon VAT law. With the support of the World Bank and the Fund, the authorities issued a decree in October 2023 streamlining VAT exemptions in the upstream oil sector, For the downstream oil sector, the authorities have requested a technical assistance from the Fund, the recommendations of which, will inform the scope of the SB now due end-March 2024

Table 2. Republic of Congo: Structural Benchmarks 2023–24 (concluded)

Measures	Target date	Status	Macroeconomic Rationale
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.
Develop the 2024 action plan for implementing remaining recommendations from the 2018 governance diagnostic report.	End-June 2024		Reduce corruption, improve governance.

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

Measures	Target date	Status	Macroeconomic Rationale
Approval of the new CCA organigram by the Council of Ministers and subsequent submission to parliament.[3]	End-December 2023		Improve transparency and manage debt-related risks.
Complete reorganization of CCA meeting: i) all laws and regulations needed for reorganization enacted, 2) sufficient staff recruited, 3) necessary staff training completed, 4) procedures' manual adopted.	End-March 2024		Improve transparency and manage debt-related risks.

[3.] The new CCA organigram has been submitted to the secretary general of the cabinet and is awaiting a cabinet meeting for approval.

Table 4. Republic of Congo: Proposed Prior Action

Measures	Status	Macroeconomic Rationale
Submission to parliament of a 2024 budget targeting a non-oil primary balance of 9.8 percent of non-oil GDP, consistent with the ECF arrangement.		Advance fiscal consolidation to address debt vulnerabilities.

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.

In addition to the performance criteria listed under A, the ECF arrangement will include the performance criteria standard to all Fund arrangements, namely: (i) no imposition or intensification of restrictions on the making of payments and transfers for current international transactions; (ii) no introduction or modification of multiple currency practices; (iii) no conclusion of bilateral payments agreements that are inconsistent with Article VIII of the IMF Articles of Agreement; (iv) no imposition or intensification of import restrictions for balance of payments reasons. These four performance criteria will be monitored continuously.

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-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.

[1] The calculation of concessionality considers 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).

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, if applicable, net of external interest service. ***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 End August realized	2023 End 2023 budgeted	2023 Execution rate (percent)	2024 draft budget law prevision Q1	Q2	Q3	Q4	Total
Basic health and fight against disease	**174.3**	**110.3**	**37.7**	**196.6**	***19.2***	**48.2**	**56.5**	**50.3**	**54.4**	**209.4**
Acquisition and management program of essential and generic drugs, biological and reagent check-up	6.2	4.9	2.5	7.4	*34.2*	1.8	2.2	1.9	2.1	8.0
Program of free AIDS drugs, biological and reagent check-up	18.0	1.8	0.3	17.1	*2.0*	4.2	4.9	4.4	4.7	18.2
AIDS education and outreach campaign	0.5	0.7	0.2	0.5	*35.5*	0.1	0.1	0.1	0.1	0.5
Malaria and other diseases control program	15.1	5.5	5.1	16.5	*30.7*	4.0	4.7	4.2	4.5	17.5
Extended vaccination program	12.9	4.8	1.0	12.8	*8.2*	3.1	3.7	3.3	3.5	13.6
Response to epidemics	17.6	15.2	0.4	14.7	*2.5*	3.6	4.2	3.7	4.1	15.6
Free caesarean section program	2.4	1.1	0.4	2.5	*14.3*	0.6	0.7	0.6	0.7	2.7
Tuberculosis control program	0.5	1.4	0.3	0.5	*69.0*	0.1	0.1	0.1	0.1	0.5
Program for the control of non-contagious diseases, including trypanosomiasis and onchocerciasis	0.7	0.3	0.2	0.7	*29.8*	0.2	0.2	0.2	0.2	0.8
Revitalization of health districts through the purchase of medical-technical equipment and functioning of hospitals and health centers	73.0	54.8	24.9	99.2	*25.1*	24.3	28.5	25.4	27.5	105.7
Construction and rehabilitation of general and basic hospitals as well as health centers in towns and rural centers	23.2	14.0	0.0	19.3	*0.0*	4.7	5.5	4.9	5.3	20.4
Women's and teenager health	4.2	5.8	2.4	5.6	*42.8*	1.4	1.6	1.4	1.5	5.9
Basic education	**102.6**	**55.9**	**54.5**	**144.4**	***37.8***	**35.4**	**41.6**	**37.0**	**40.1**	**154.1**
Construction and rehabilitation of school buildings	6.5	1.7	0.6	10.5	*6.0*	2.6	3.0	2.7	2.9	11.1
Program of free school supplies, textbooks and tuition fees as well as teaching materials in primary, secondary general, technical and vocational	24.3	15.6	5.6	26.5	*21.1*	6.6	7.7	6.9	7.4	28.6
School canteen program	5.1	3.9	1.9	7.1	*26.4*	1.7	2.0	1.8	2.0	7.5
Strengthening the capacities of the education and research system	27.0	29.4	45.1	62.8	*71.9*	15.4	18.1	16.1	17.4	67.0
Scholarships, school and university aid	30.5	4.4	1.3	31.5	*4.1*	7.7	9.1	8.1	8.7	33.6
Program for the acquisition of table-bench at school level	0.0	0.0	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	0.0	5.9	*0.0*	1.4	1.7	1.5	1.6	6.3
Infrastructures for improved access	**52.2**	**30.6**	**8.5**	**58.2**	***14.6***	**14.2**	**16.6**	**14.8**	**16.0**	**61.6**
Construction and rehabilitation of rural and agricultural roads through the Commercial Agriculture Development Program (PDAC)	5.3	9.8	0.0	6.6	*0.0*	1.6	1.9	1.7	1.8	7.0
River maintenance, dredging and tagging	2.7	3.1	0.5	4.9	*10.3*	1.2	1.4	1.2	1.3	5.2
Community projects and revitalization of the village fabric	0.7	0.0	0.0	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	8.0	46.7	*17.1*	11.4	13.4	11.9	12.9	49.5
Electricity, water and sanitation	**69.8**	**59.6**	**18.7**	**55.9**	***33.5***	**13.7**	**16.0**	**14.3**	**15.4**	**59.4**
"Water for all" program to continue the drinking water supply operation in urban and rural centers	10.7	7.4	0.9	10.0	*9.0*	2.4	2.9	2.5	2.8	10.6
Construction of electrical works for population access to energy	16.7	4.3	4.9	17.6	*27.7*	4.3	5.0	4.5	4.8	18.6
Sanitation of towns and, as a consequence, the cleaning of gutters and the destruction of breeding sites	42.4	47.9	13.0	28.4	*45.8*	6.9	8.1	7.2	7.8	30.2
Social protection and employment	**58.9**	**21.9**	**10.8**	**76.4**	***14.2***	**18.7**	**22.0**	**19.6**	**21.2**	**81.5**
Charitable actions and social assistance	0.7	0.3	0.1	0.7	*16.4*	0.2	0.2	0.2	0.2	0.8
Integration and social and economic reintegration of disabled people and minorities	0.4	0.3	0.1	0.6	*15.7*	0.1	0.2	0.2	0.2	0.6
Support for vulnerable people and street children	28.1	21.3	10.6	43.4	*24.4*	10.6	12.5	11.1	12.0	46.3
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	0.0	3.2	*0.6*	0.8	0.9	0.8	0.9	3.4
Implementation of universal health insurance	26.9	0.0	0.0	28.4	*0.0*	7.0	8.2	7.3	7.9	30.3
Agriculture, fishing and livestock	**16.9**	**10.1**	**1.9**	**20.1**	***9.4***	**4.9**	**5.8**	**5.1**	**5.6**	**21.4**
Supervision program for market gardeners in urban and rural centers	9.9	6.0	0.0	12.3	*0.0*	3.0	3.5	3.1	3.4	13.0
Improved seed distribution program	0.5	1.3	0.3	0.8	*36.8*	0.2	0.2	0.2	0.2	0.9
Agricultural techniques outreach and demonstration program	2.7	2.2	1.2	3.1	*39.8*	0.8	0.9	0.8	0.9	3.3
Livestock techniques demonstration program	3.7	0.5	0.3	3.8	*7.4*	0.9	1.1	1.0	1.1	4.1
Bovine sharecropping program	0.1	0.1	0.1	0.1	*58.4*	0.0	0.0	0.0	0.0	0.1
Promotion of women	**4.8**	**2.3**	**1.0**	**5.6**	***18.2***	**1.4**	**1.6**	**1.4**	**1.5**	**5.9**
Gender issue	2.9	1.6	0.6	2.8	*22.4*	0.7	0.8	0.7	0.8	3.0
Self-employment and training in small trades through income-generating activities for the benefit of women and young mothers	2.0	0.7	0.4	2.8	*14.0*	0.7	0.8	0.7	0.8	2.9
TOTAL	**479.5**	**290.7**	**133.2**	**557.0**	***23.9***	**136.5**	**160.2**	**142.4**	**154.3**	**593.3**

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)

Sectors	**Type of data**	**Frequency**	**Reporting period**
	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

December 5, 2023

FOURTH 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	*Yes. While external arrears are currently below 1 percent of GDP, there is a high likelihood of further recurrence.*

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[1] of the Republic of Congo are classified as "in distress", reflecting the ongoing restructuring and audit of domestic arrears, as well as the recurrent accumulation of temporary external arrears but debt is assessed as "sustainable". All legacy external arrears (those already existing by the inception of the ECF) have been resolved by the time of the third review of the ECF, with exception of disputed debt and pre-HIPC claims. However, some missed payments on debt service were overdue by more than one month, giving rise to program external arrears under the ECF by end-July 2023. Although the program external arrears are currently below the 1 percent of GDP applicable threshold, judgement was applied reflecting the high likelihood of additional accumulation due to shortcomings in debt management processes, as evidenced by repeated debt service payment slippages.

[1] 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.

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 below their thresholds by 2026 under the baseline scenario.[2] *Still high oil prices in the near and medium terms (based on the October 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 2035 and one external debt indicator breaching is respective threshold that is, however, contained within 3 years.[3] *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 another downside risk if the government's financing needs exceeded 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), which is not publicly guaranteed, and the non-guaranteed debt of SNPC are included as contingent liabilities.[4] 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

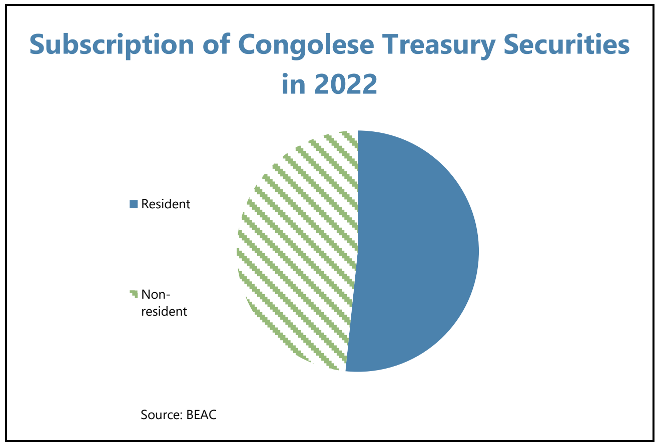
[2]The composite index (CI), estimated at 2.31 and based on the October 2023 World Economic Outlook (WEO) and 2022 World Bank Country Policy and Institutional Assessment (CPIA) data, indicates a weak debt carrying capacity for Congo.

[3]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.

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

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 verified 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.[5]

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 22.2 percent of GDP is customized to account for possibly missing general government debt due to legally disputed claims of domestic arrears (about 0.8 percent of GDP), revised arrears under audit not included in the forecast assumptions (2.4 percent of GDP)[6] and litigated external debt (2.05 percent of GDP[7]; Text Table 1). Non-guaranteed debt of the 10 largest SOEs is estimated at 31 percent of GDP,[8] [9] 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 5.7 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

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[5] This represents the verified stock of CRF-related arrears at the end of 2021. In 2023, new verified arrears related to CRF worth CFAF 233 billion 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.

[6] The legally disputed claims of domestic arrears not included in the forecast assumptions were revised after 360 billion (4.1 percent of 2023 GDP) were realized as debt and included in the debt stock of 2023.

[7] 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.

[8] 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.

[9] 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).

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 22.2 percent of the GDP.

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

	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	

		Default	Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central government plus social security, central bank, government-guaranteed debt		
2	Other elements of the general government not captured in 1.	0 percent of GDP	5.25	Litigated debt; contested domestic debt under audit; rejected domestic arrears
	of which: litigated external debt		2.05	
	of which: contested domestic claim under audit		2.4	
	of which: rejected domestic arrears		0.8	
	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)		22.2	

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%.

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.[10] 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 been late on some debt service payments and accumulated new program external arrears, albeit only temporarily, since the start of the ECF arrangement.

[10] 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.

- External debt decreased from 55.7 percent of GDP at end-2021 to 42.0 percent of GDP in June 2023. 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 As of June 2023, a large share of external debt is owed to China (including commercial creditors) (13.9 percent of GDP, see Tables 1a and 1b) and oil traders (5.8 percent of GDP). Under the Fund-supported ECF arrangement and World Bank Performance Policy Actions (PPAs) under the IDA Sustainable Development Financing Policy (SDFP), 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 $2,844 million (20.3 percent of GDP), including $504 million of external arrears (3.6 percent) and $2,340 million of domestic arrears (16.7 percent of GDP).

- Domestic debt is projected to reach 61 percent of GDP in 2023. This increase is mainly driven by (i) the recognition of CFAF 360 billion of social arrears by the central government; (ii) the inclusion of CFAF 269 billion of unpaid pensions in the debt stock; and (iii) increased domestic bonds issuances to fund the budget.

5. Authorities have reached agreements to resolve external (official bilateral and commercial creditors) and domestic arrears. The DSA incorporates the resolution of legacy 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.

- Since June 2023, $8.4 million in program external arrears have accumulated to three official creditors (BDEAC, Brazil, and India) and $5.6 million to official multilateral creditors. All components of these arrears were repaid by end-September 2023. Hence, the continuous QPC on non-accumulation of arrears was breached by end-July 2023.

- Regarding legacy arrears, discussions to resolve $27 million in arrears to India have progressed. About half of the amount is to be treated under the DSSI and the repayment of the other half will be done in two tranches: November 2023 and April 2024.

- Legacy arrears to Russia and Brazil had already earlier been resolved through mutual agreement in principle on how to handle repayment. The authorities continue efforts to resolve remaining pre-HIPC bilateral arrears in the amount of $113 million owed to Angola.

- The authorities cleared legacy 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 ($15 million).

- The authorities contest $266 million of pre-HIPC arrears owed to a supplier as part of a broader litigation case. The authorities have requested HIPC treatment for another $93 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. The authorities recently completed a sub-action that was missing under FY23 PPA1, on the publication of the domestic arrears' repayment strategy. The adoption and implementation of a domestic arrears repayment strategy help reduce debt vulnerabilities and provide liquidity to domestic banks and firms and support the recovery of the non-oil economy.

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, 2023		
	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. **Weaknesses in public debt management and reporting remain**. The materialization of missed debt service payments, even if repaid quickly, emphasizes that despite reorganization efforts

around debt management, internal communication and coordination on this issue remain insufficient (¶14). In the context of high oil prices, should there be an accumulation of unrequired excess balances in the escrow account which guarantees the payment of three future semi-annual debt service installments to China, this may complicate the authorities' debt management, as long as insufficient data prevents a timely assessment of the balances, and projected inflows and outflows of the account.

7. 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 complicate 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.

Text Table 3. Republic of Congo: External Arrears Situation

	February 2022 stock			December 2022 stock			June 2023 stock			June 2023 (Excl. unrestructured pre-HIPC arrears)			August 2023 stock			August 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**	**312.4**	**504.3**	**3.6**	**301.7**	**498.5**	**3.5**	**13.5**	**22.4**	**0.2**	**324.0**	**535.4**	**3.7**	**27.0**	**44.6**	**0.3**
Multilateral and other creditors	0.0	0.0	0.0	0.0	0.0	0.0	3.7	6.1	0.0	3.7	6.1	0.0	3.7	6.1	0.0	3.7	6.1	0.0
Bilateral	88.9	151.8	1.0	86.7	140.0	1.0	72.4	119.6	0.8	1.0	1.7	0.0	87.6	144.8	1.0	16.3	26.9	0.2
Paris Club	0.0	0.0	0.0	11.9	19.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	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	5.7	9.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	6.2	10.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	74.9	120.9	0.9	72.4	119.6	0.8	1.0	1.7	0.0	87.6	144.8	1.0	16.3	26.9	0.2
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	69.8	112.6	0.8	68.2	112.7	0.8	0.0	0.0	0.0	68.2	112.7	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	1.9	3.1	0.0	1.0	1.7	0.0	1.0	1.7	0.0	16.3	26.9	0.2	16.3	26.9	0.2
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	5.1	0.0	3.1	5.2	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	225.7	364.3	2.6	225.7	372.9	2.6	8.9	14.6	0.1	232.7	384.5	2.7	7.0	11.7	0.1
CMEC and Chinese companies	62	106.2	0.7	0.0	0.0	0.0	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	7.0	11.6	0.1	7.0	11.7	0.1
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	228	390	2.6	225.7	364.3	2.6	225.7	372.9	2.6	8.9	14.6	0.1	225.7	372.9	2.6	0.0	0.0	0.0

Source: Congolese authorities and IMF staff estimates.

B. Macroeconomic Outlook

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

- Economic growth continued to gain momentum in the first half of 2023, with a 4 percent average growth rate for oil production and improving activity especially in mining and services. Overall real GDP growth is forecasted 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 expected 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 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.[11] Concurrently, oil production levels will decline due to maturing oil fields.

- In reaction to a looser fiscal stance in 2022 that resulted from increased fuel subsidization, substantive tightening will improve the non-oil primary balance by 4 ppt to 11.7 percent of non-oil GDP in 2023. Respective fiscal efforts are supported by the ECF program conditionality and comprise revenue mobilization coupled with expenditure restraint, including streamlining fuel subsidies. Lower, but still robust, oil prices imply for 2023 a sizeable overall balance of 4.6 percent of non-oil GDP, hovering around that level over the next 5 years. 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 2023, budget support was provided by France (EUR 20 million) and the World Bank[12] ($80 million to be disbursed in 2023Q4, 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, including concessional Shorter-Maturity Loans (PBA-SMLs) from IDA; the grant element remains around 36 percent over 2027–42.[13]

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

[12] Subject to the approval by the World Bank Executive Board and the adequacy of the macro-economic policy framework.

[13] 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.

The DSA assumes that more than 90 percent of Congo's domestic financing is medium- or long-term, of which more than 60 percent is long-term (more than 3-years term). Short-, and medium-term domestic financing (up to a term of 3 years) are obtained at the average interest rate of 6.5 percent, and long-term financing with terms above 3 years are obtained at the average interest rate of 9.0 percent. Moreover, all domestic financing is denominated in local currency.

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

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Total External Bilateral and Multilateral	**431**	**649**	**553**	**270**	**281**	**214**	**223**	**224**	**227**	**189**	**189**
Project Financing	**156**	**273**	**250**	**270**	**281**	**214**	**223**	**224**	**227**	**189**	**189**
Of which:											
Multilateral and other creditors	110	100	170	180	204	214	130	131	134	96	96
IMF	0	0	0	0	0	0	0	0	0	0	0
IDA	45	64	120	128	135	143	66	73	81	53	53
IBRD	26	31	50	50	64	64	33	47	40	29	29
AfDB	11	0	0	0	0	0	0	0	0	0	0
Others	27	5	0	2	4	7	31	11	13	15	15
Official bilateral	46	173	80	90	77	0	93	93	93	93	93
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	128	35	60	77	0	93	93	93	93	93
China	0	128	35	60	77	0	93	93	93	93	93
General Budget Financing	**275**	**376**	**303**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
IMF	173	174	87	0	0	0	0	0	0	0	0
Other Development Partners	102	203	216	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. The first half of 2023 points to continued improvement with increased activity especially in mining and services. Economic growth is expected to maintain momentum in the medium term supported by continued repayments 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 (including natural gas production and export) gain additional weight in the composition of the economy. The gas code expected to be submitted to parliament in 2023Q4 will require petroleum sector players to use their associated gas more efficiently and will include incentives to establish an integrated gas value chains to enable the optimal utilization of the associated and non-associated gas resources in the domestic market and for export. 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 supporting greater competition (laws on competition policy and competition authority submitted to Parliament in 2023Q4) will lead to more efficient markets, especially in sectors, such as electricity and telecommunications.[2]
    - Economic diversification would also be supported by further business environment-related reforms, such as the effective application of the new anticorruption law, which is expected to enhance business confidence, and the horizontal law on inspections, under preparation and expected to be submitted to parliament in 2024, which will limit arbitrary inspections and reduce transaction costs for businesses; and by growing fiscal space that will facilitate the intensifying development of public infrastructure, education, and health, which in turn will support productivity and growth in the non-oil sector.
    - 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. Oil production recovered by an average 4 percent year on year during the first semester of 2023 following three years of contraction. Further acceleration is anticipated until 2024 when production is expected to reach of peak of 107 million barrels. Afterwards, oil production will decline gradually (unless new oil discoveries are made) due to aging oilfields. Following very strong performance in 2022, oil prices are projected to decline over the medium term potentially weighing on investment in the oil sector.

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[1] The main macroeconomic assumptions discussed here are based on ECF 4th review macro-framework

[2] The Republic of Congo Country Economic Memorandum published by the World Bank in early 2023 provides detailed information on key policies and reforms (including on competition, public-private partnership, digital transformation, electricity) to build the foundations for a "diversified development" in ROC.

Box 1. Main Macroeconomic Assumptions (continued)

- In the long run, as oil production declines, the **non-oil sector** is expected to become the main engine of growth, supported by stronger institutions, improved infrastructure, a stronger fiscal position allowing for pro-growth spending and further progress in economic diversification.

- **The outlook is dominated by downside risks.** These include the materialization of contingent liabilities after the audit and verification of public sector's domestic arrears. Moreover, further escalation of regional conflicts worldwide and tighter-than-expected external financing conditions 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 foreign investment such as those related to carbon credits.

- **Inflation:** Inflation is expected to increase to 4.5 percent in 2023, due to higher energy prices, supply chain disruptions, and lingering cost-push shocks from recent high global commodity prices, and to subsequently ease to 3.6 percent in 2024. Over the medium-term, inflation is projected to return to 3 percent, consistent with CEMAC inflation targets.

- **Current account balance:** A current account surplus of 3.1 percent of GDP is anticipated for 2023, significantly lower than the estimated current account balance of 18.5 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 as oil prices remain at levels comfortable for Congo and oil production increases. After that, with the projected decline in oil production, the current account is expected to shift to a deficit, projected to an average of 7.5 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 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 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 social assistance targeted to the most vulnerable), measures to improve tax compliance and collection of tax arrears, a broadening of the tax base (streamlining of tax exemptions, harmonization of legal base for VAT taxation), improved tax administration (one-stop shop for tax payments, digital platform for tax declarations), customs reforms, excise duties in line with CEMAC guidelines, and continued implementation of energy SOE reforms to reduce respective subsidies, improve transparency, and collect more dividends. Shrinking non-oil primary deficits will increasingly open up fiscal space for increased targeted social

Box 1. Main Macroeconomic Assumptions (concluded)

transfers and public investment, adding to growth prospects. Progress in structural reforms will support more efficient public spending and lead to higher fiscal multipliers.

- More specifically, key SOE reforms include: (i) a 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 their operations. Both companies' production costs should be studied, an action plan should be put in place for raising their efficiency, and the conversion of CEC's electricity billing process to a consumption based one should continue. 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. Greater tax 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, volatility in global oil prices could imply uncertainty for oil revenues and challenge fiscal consolidation. 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 2023/271) 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	391.3	331.9	161.5	167.6	128.0	126.6	105.2
ECF 3rd Review	389.9	348.7	163.7	170.1	128.9	125.3	114.3
Grant Element of New External Borrowing (in percentage points)							
Current DSA	33.0	30.3	30.0	30.6	24.4	34.1	38.2
ECF 3rd Review	33.2	32.7	31.4	32.8	35.2	36.5	37.8
Primary balance (percent of GDP)							
Current DSA	6.7	7.9	6.6	5.9	6.3	7.5	2.1
ECF 3rd Review	6.6	7.4	6.1	5.4	5.9	7.4	2.3
Real GDP growth (percent)							
Current DSA	4.0	4.4	3.2	3.7	3.9	4.2	4.0
ECF 3rd Review	4.0	4.4	3.3	3.8	3.9	4.2	4.2
Current Account Balance (percent of the GDP)							
Current DSA	3.1	3.2	0.6	-0.9	-1.6	-3.7	-8.8
ECF 3rd Review	3.9	1.6	-0.1	-1.8	-1.9	-3.8	-8.4
Congolese Oil prices (US dollars per barrel)							
Current DSA	79.4	79.2	76.3	73.2	70.5	71.1	82.6
ECF 3rd Review	77.4	72.4	69.8	67.8	71.4	67.5	78.5
Brent Oil prices (US dollars per barrel)							
Current DSA	82.4	81.2	77.4	74.3	71.6	72.2	83.8
ECF 3rd Review	78.4	73.6	70.9	68.9	67.2	68.6	79.7

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 October 2023 World Economic Outlook (WEO) and 2022 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.

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

Country	Congo, Republic of
Country Code	**634**

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 2.3	Weak 2.2	Weak 2.3

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	2.759	1.06	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	49%
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			2.3	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.** These include 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

D. 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 11 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 34 percent at end-2023 and is projected to decline to 30 percent in 2024, just at 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 38 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 100 percent. While this shock is intended to simulate the impact of reduced oil export receipts (oil is about 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, the external and overall debt is still assessed to be in-distress but sustainable (see ¶16). Weaknesses in debt management have caused recurrent delays in paying external debt service, causing a breach of the end-March 2023 PC for a non-accumulation of new external arrears. Some of the debt service payments due in June 2023 to bilateral and multilateral creditors were missed, causing a breach of a continuous performance criteria of non-accumulation of external arrears by end-July. Since early July, new external arrears to a commercial bank emerged, but they were resolved in September. 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.

E. 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 2035. As the PV of public debt breaches its benchmark until 2035 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[15] and low growth rates. Nevertheless, the baseline PV of Debt to Revenue and Debt Service to Revenue ratios are declining going forward.

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	34.2	29.7	23.2	14.7
ECF 3rd Review	33.2	29.5	22.1	14.4
	PV of Debt-to-Exports Ratio			
Current DSA	51.4	45.1	43.6	33.4
ECF 3rd Review	48.6	45.4	41.0	32.2
	Debt Service-to-Exports Ratio			
Current DSA	11.1	9.0	4.2	3.9
ECF 3rd Review	10.9	9.4	4.3	3.3
	Debt Service-to-Revenue Ratio			
Current DSA	28.9	22.8	9.3	7.4
ECF 3rd Review	29.0	24.2	9.8	6.6
Memorandum Items				

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

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

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 and multilateral creditors, coupled with the uncertainty in the exact nature and volume of domestic debt pending authorities' ongoing efforts of auditing and recognizing domestic arrears. The continued recurrence of delays in debt service payments reinforce the assessment that the Congolese debt is "in distress". Nevertheless, legacy external arrears to all bilateral and commercial creditors, excluding disputed debts and pre-HIPC claims, have been resolved. Notwithstanding the low level of program external arrears, currently below the 1 percent of GDP applicable threshold to assess external debt as "in distress", judgement was applied to arrive at the final rating owing to the high likelihood of additional accumulation due to shortcomings in debt management processes as evidenced by repeated debt service payment slippages, and the lack of progress in the reform of the debt management function. 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 2035) 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 and CEMAC 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.[16] Finally, further downward revisions to GDP statistics (¶7) could raise debt-to-GDP ratios again.

[16] 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

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.[17]

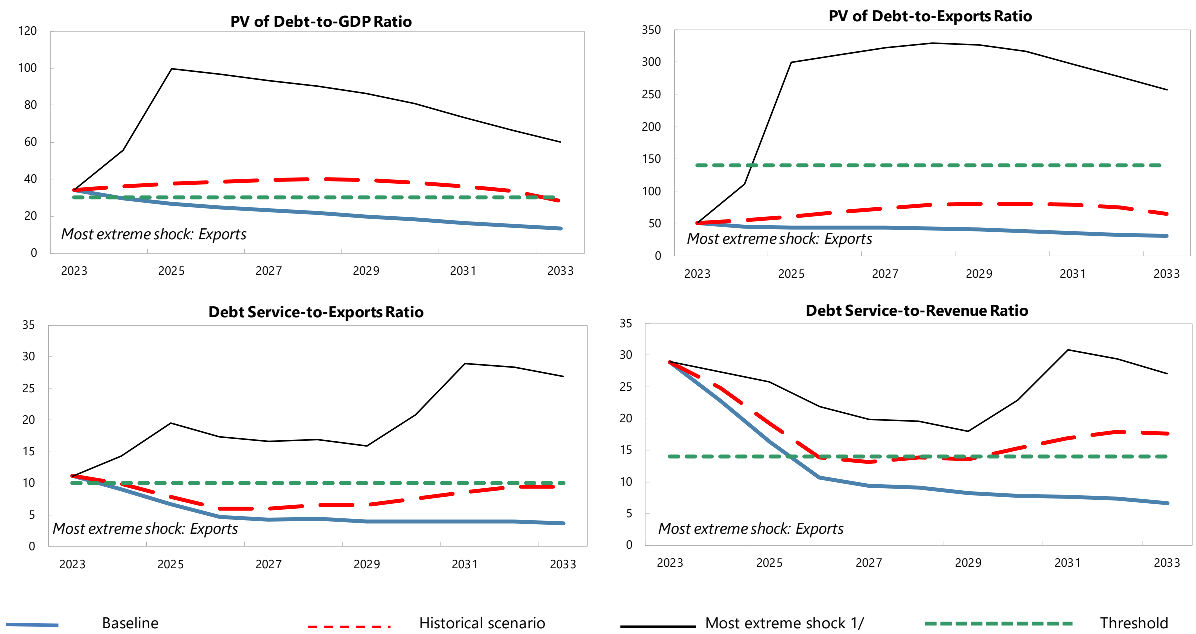
19. The tailored tests show greater sensitivity of public debt than external debt burden indicators. While a commodity price shock triggers a breach in some external debt indicators (PV of external debt-to-GDP and debt service-to-revenue ratios), the tailored natural disaster test does not breach external debt indicators (Table 4). However, all tailored stress tests further lengthen the period with a breach of the PV of public debt-to-GDP ratio (Table 5).

AUTHORITIES' VIEWS

20. The authorities concurred with staff's assessment that Congo is in debt distress and that debt remains sustainable owing to continued accelerated debt repayment, the recovery of the economy, and fiscal consolidation. The authorities expressed their commitment in strengthening the debt management system by continuing to improve processes and communication between different government departments for avoiding re-emergence of external arrears. Concerning domestic debt, authorities highlighted the plan for domestic arrears resolution and committed to prudent management of domestic debt issuance in alignment with Congo's funding needs. Improving growth prospects and continuing fiscal consolidation efforts should deliver additional support for Congo's debt to remain on sustainable and declining trajectory.

[17] 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.

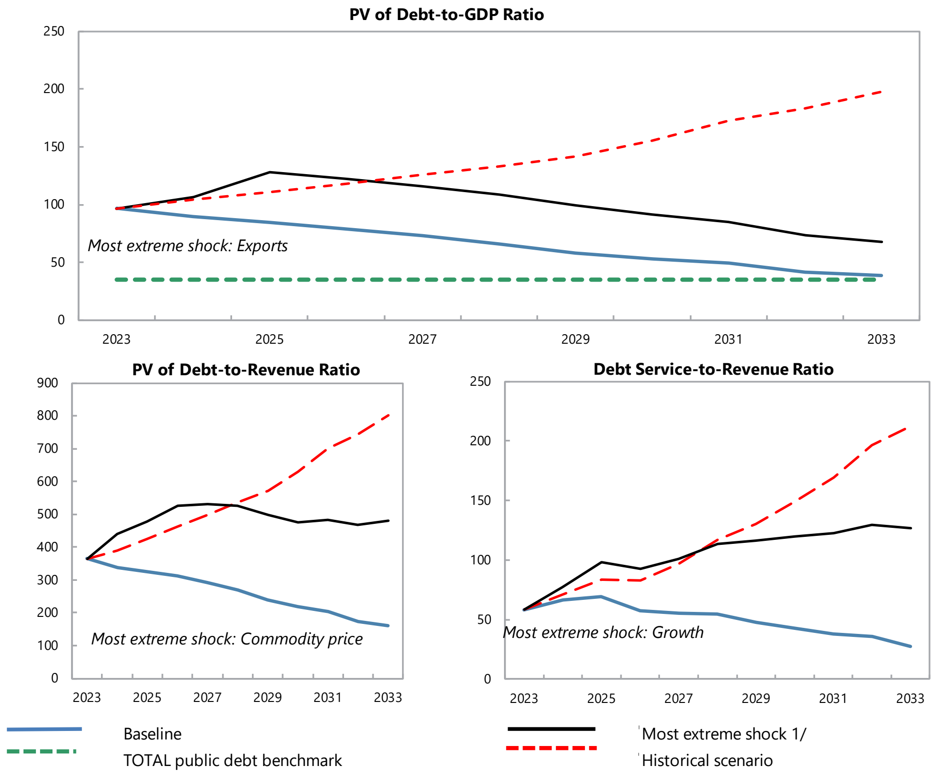
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.0%	2.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace 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.

Figure 2. Republic of Congo: Indicators of Public Debt Under Alternative Scenarios, 2023–33



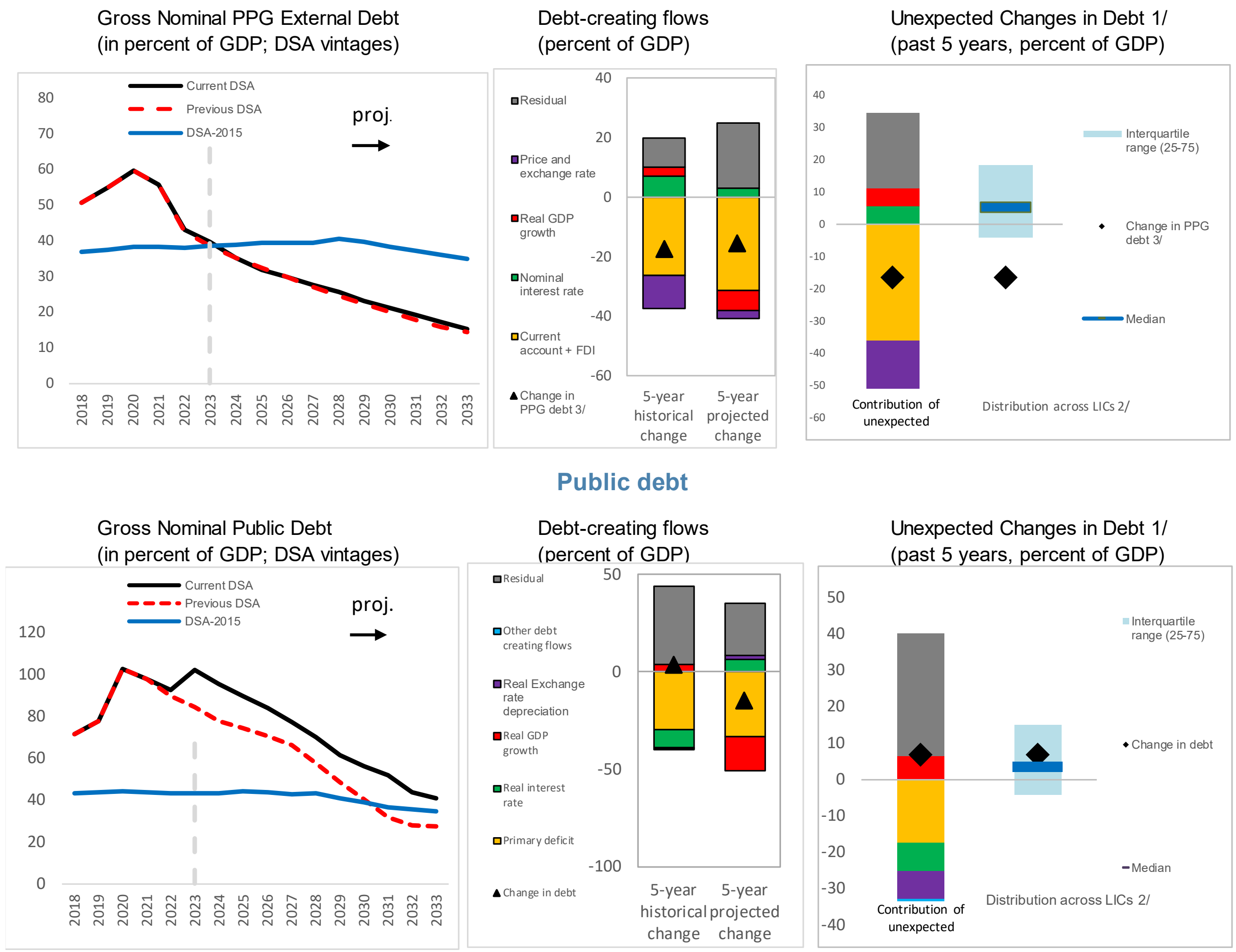
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	17%	17%
Domestic medium and long-term	76%	76%
Domestic short-term	7%	7%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.0%	2.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.4%	5.4%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	4.4%	4.4%

* 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.

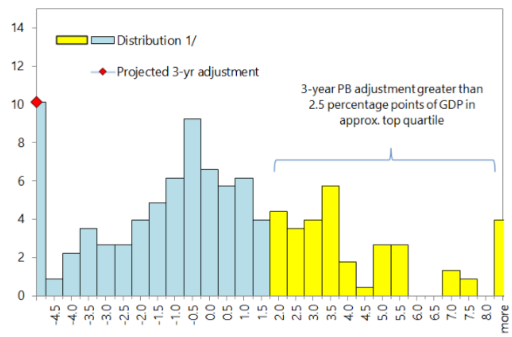
1/ Difference between anticipated and actual contributions on debt ratios.

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.

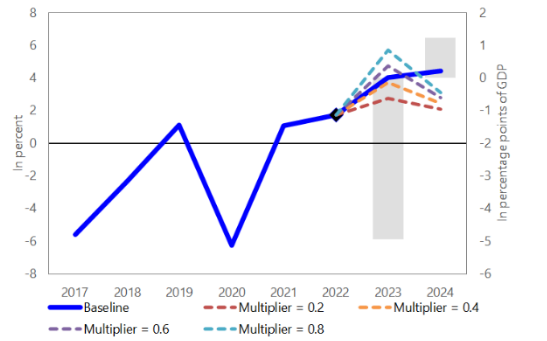
Figure 4. Republic of Congo: Realism Tools

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



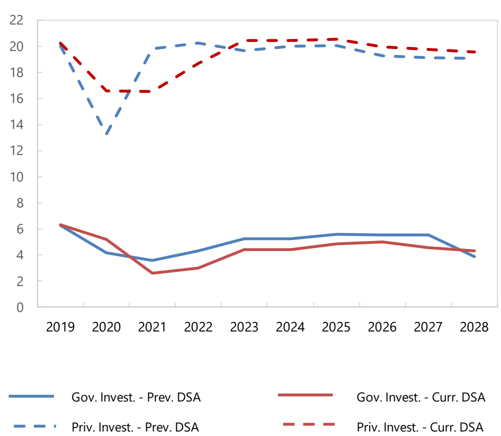
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Path 2/

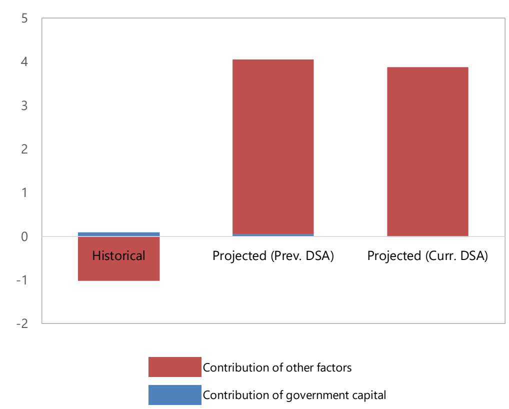


2/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

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.

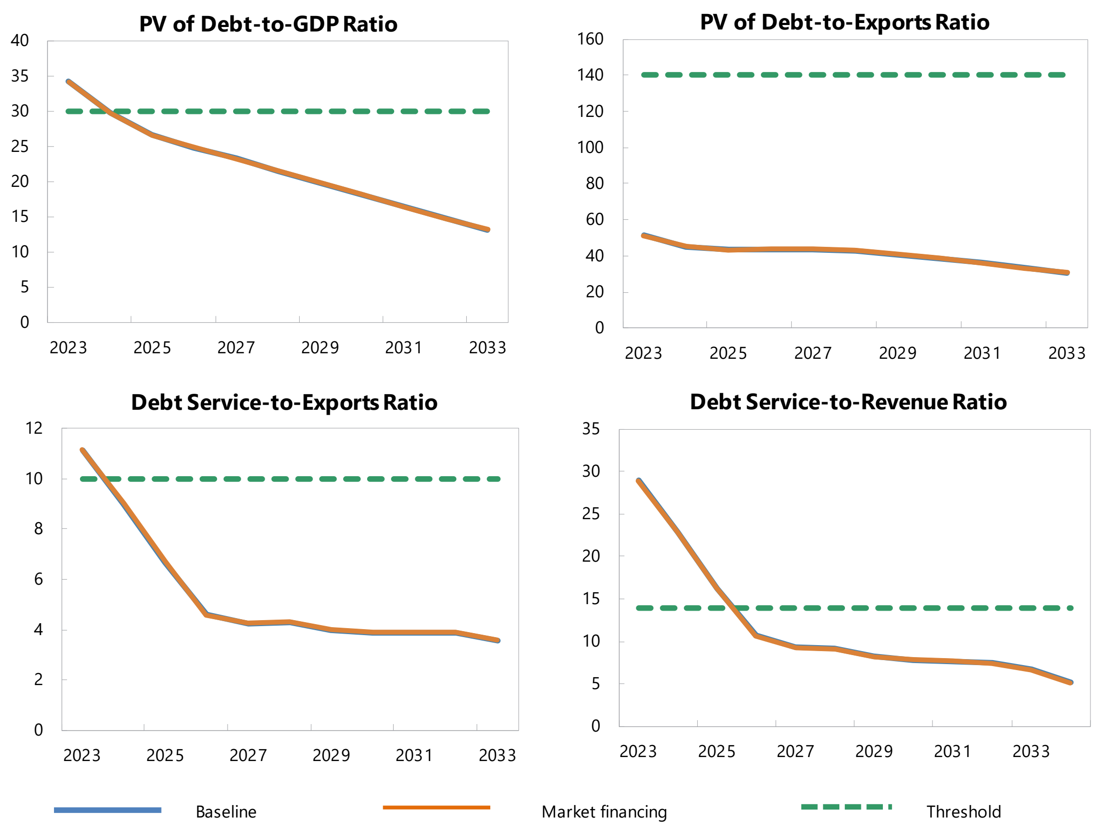
2/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

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	11	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			Jun 30, 2023 Prel.			Aug 31, 2023 Prel.		
	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 public debt	**7254**	**12500**	**97.8**	**8038**	**12976**	**92.5**	**8501**	**14047**	**97.8**	**8521**	**14081**	**98.1**
External debt	**4136**	**7127**	**55.7**	**3741**	**6039**	**43.1**	**3647**	**6026**	**42.0**	**3667**	**6060**	**42.2**
Of which: arrears	1286	2216	17.3	312	504	3.6	302	499	3.5	324	535	3.7
Multilateral and other creditors	550	948	7.4	781	1261	9.0	862	1425	9.9	866	1432	9.9
Official bilateral	1802	3106	24.3	1752	2827	20.2	1721	2843	19.7	1736	2869	19.9
Paris Club	273	470	3.7	280	452	3.2	264	436	3.0	264	436	3.0
Brazil	57	98	0.8	56	91	0.6	49	81	0.6	49	81	0.6
Belgium	89	153	1.2	79	128	0.9	46	76	0.5	46	76	0.5
France	106	183	1.4	123	199	1.4	30	50	0.3	30	50	0.3
Russia	17	30	0.2	19	31	0.2	15	26	0.2	15	26	0.2
Switzerland	4	6	0.0	2	3	0.0	150	248	1.7	150	248	1.7
Non-Paris Club	1530	2636	20.6	1472	2376	16.9	1457	2407	16.7	1472	2433	16.9
China	1257	2166	16.9	1222	1973	14.1	1212	2003	13.9	1212	2002	13.9
India	68	117	0.9	52	84	0.6	56	93	0.6	72	119	0.8
Kuwait	32	55	0.4	34	54	0.4	33	54	0.4	33	54	0.4
Saudi Arabia	46	80	0.6	49	79	0.6	48	79	0.5	48	79	0.5
Turkey	45	77	0.6	36	58	0.4	31	51	0.4	31	51	0.4
Pre-HIPC arrears (not restructured)	129	222	1.7	73	118	0.8	71	118	0.8	71	118	0.8
Private Creditors	1783	3073	24.0	1208	1950	13.9	1064	1758	12.2	1064	1759	12.2
Oil-prepurchased debt	909	1567	12.3	625	1009	7.2	510	842	5.8	510	842	5.8
Afreximbank	54	94	0.7	32	52	0.4	19	31	0.2	20	32	0.2
Suppliers	396	682	5.3	226	364	2.6	226	373	2.6	226	373	2.6
Domestic debt[1]	**3118**	**5373**	**42.0**	**4297**	**6937**	**49.5**	**4854**	**8021**	**55.6**	**4854**	**8021**	**55.6**
BEAC advances and SDR	572	986	7.7	735	1187	8.5	735	1215	8.4	735	1215	8.4
Commercial banks and non-banks	1532	2640	20.6	2112	3410	24.3	2307	3812	26.4	2307	3812	26.4
Audited and validated arrears reported by CCA	1014	1748	13.7	1450	2340	16.7	1812	2995	20.7	1812	2995	20.7

Sources: Congolese authorities; and IMF staff estimates

[1]Data updated until the end of June 2023

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$)	*(Percent total debt)*	*(Percent GDP)*[7]	*(In Million US$)*				*(Percent GDP)*		
Total	12,976	100	92.5	3,344	2,783	2,753		24.0	19.2	17.6
External	6,039	47	43.1	1,440	1,165	929		10.3	8.0	6.0
Multilateral creditors[2]	1,261	9.7	9.0	55	68	62		0.4	0.5	0.4
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	350		2.3	2.5	2.2
Paris Club	452	3.5	3.2	65	80	78		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	281	273		1.8	1.9	1.7
o/w: China	1,973	15.2	14.1	…	…	…	…	…	…	…
India	84	0.6	0.6	…	…	…	…	…	…	…
Commercial creditors	1,950	15.0	13.9	1,067	737	517		7.6	5.1	3.3
o/w: Bonds	226	1.7	1.6	41	40	38		0.3	0.3	0.2
Other international creditors	1,724	13.3	12.3	1,026	697	478		7.3	4.8	3.1
o/w: Largest two creditors	1,009	7.8	7.2	…	…	…	…	…	…	…
o/w: Glencore	563	4.3	4.0							
o/w: Trafigura	446	3.4	3.2							
Others	715	5.5	5.1	…	…	…	…	…	…	…
Domestic[3]	6937	53.5	49.5	1904	1618	1825		13.6	11.2	11.7
T-Bills[4]	…	…	…	…	…	…	…	…	…	…
Bonds[4]	3038	23.4	21.7	1185	945	1441		8.5	6.5	9.2
Loans	1187	9.1	8.5	26	27	27		0.2	0.2	0.2
Memo items:										
Collateralized debt[5]										
o/w: Related	1,009	…	7.2	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…
Contingent liabilities										
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities[6]	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] 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).

[3] Domestic debt service includes arrears repayment.

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

[5] 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.

[6] 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).

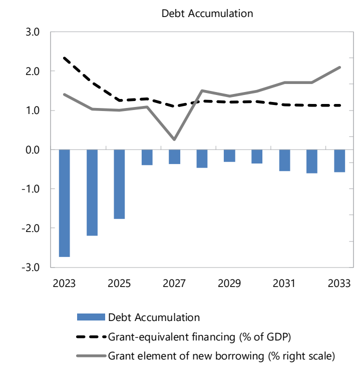
[7] Calculated with debt stock and GDP in local currency units.

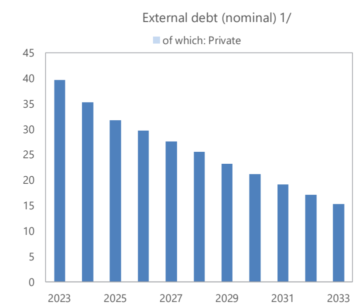
Table 2. Republic of Congo: External Debt Sustainability Framework, Baseline Scenario, 2020–43

(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**	**39.6**	**35.3**	**31.7**	**29.7**	**27.6**	**25.6**	**15.3**	**5.9**	**50.4**	**26.0**
of which: public and publicly guaranteed (PPG)	**59.7**	**55.7**	**43.1**	**39.6**	**35.3**	**31.7**	**29.7**	**27.6**	**25.6**	**15.3**	**5.9**	**50.4**	**26.0**
Change in external debt	4.7	-3.9	-12.7	-3.4	-4.4	-3.5	-2.0	-2.1	-2.0	-1.8	-0.5		
Identified net debt-creating flows	**8.1**	**-18.8**	**-21.4**	**-9.3**	**-9.6**	**-6.7**	**-5.1**	**-4.1**	**-3.5**	**3.2**	**5.6**	**-1.2**	**-3.6**
Non-interest current account deficit	**-13.2**	**-13.7**	**-19.8**	**-4.0**	**-3.9**	**-1.2**	**0.4**	**1.1**	**1.4**	**8.0**	**8.2**	**-1.1**	**1.5**
Deficit in balance of goods and services	-12.1	-24.4	-30.6	-13.1	-13.4	-10.0	-7.9	-6.3	-5.3	1.4	5.9	**-5.6**	**-6.1**
Exports	40.7	57.9	82.5	66.5	65.8	61.3	56.9	53.3	50.4	42.8	25.6		
Imports	28.6	33.5	51.9	53.4	52.5	51.3	49.1	47.0	45.1	44.2	31.5		
Net current transfers (negative = inflow)	-1.0	-0.8	-0.2	-0.5	-0.2	-0.5	-0.5	-0.5	-0.5	-0.5	-0.4	**0.6**	**-0.5**
of which: official	-1.1	-0.8	-0.6	-0.8	-0.6	-0.8	-0.8	-0.8	-0.9	-0.9	-0.7		
Other current account flows (negative = net inflow)	-0.1	11.4	11.0	9.6	9.7	9.3	8.7	7.9	7.2	7.1	2.6	**4.0**	**8.1**
Net FDI (negative = inflow)	**8.7**	**2.5**	**-0.6**	**-4.5**	**-4.7**	**-5.1**	**-4.9**	**-4.6**	**-4.3**	**-4.4**	**-2.4**	**-1.9**	**-4.5**
Endogenous debt dynamics 2/	**12.6**	**-7.6**	**-1.0**	**-0.8**	**-1.0**	**-0.5**	**-0.6**	**-0.6**	**-0.6**	**-0.4**	**-0.2**		
Contribution from nominal interest rate	0.7	0.9	1.3	0.9	0.7	0.6	0.5	0.5	0.4	0.3	0.1		
Contribution from real GDP growth	4.2	-0.5	-0.9	-1.7	-1.6	-1.1	-1.1	-1.1	-1.0	-0.7	-0.2		
Contribution from price and exchange rate changes	7.7	-7.9	-1.4	...	...	...	...	...	...	...	...		
Residual 3/	**-3.4**	**14.9**	**8.7**	**5.9**	**5.2**	**3.2**	**3.1**	**2.0**	**1.5**	**-5.0**	**-6.1**	**3.6**	**1.1**
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	**...**	**...**	**38.2**	**34.2**	**29.7**	**26.6**	**24.8**	**23.2**	**21.5**	**13.2**	**4.9**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**46.3**	**51.4**	**45.1**	**43.4**	**43.6**	**43.6**	**42.8**	**30.8**	**19.3**		
PPG debt service-to-exports ratio	**17.1**	**12.7**	**12.7**	**11.1**	**9.0**	**6.7**	**4.6**	**4.2**	**4.3**	**3.6**	**1.9**		
PPG debt service-to-revenue ratio	**37.6**	**33.2**	**33.5**	**28.9**	**22.8**	**16.3**	**10.7**	**9.3**	**9.2**	**6.7**	**2.1**		
Gross external financing need (Million of U.S. dollars)	282.4	-523.0	-1387.7	-162.8	-416.0	-348.0	-321.7	-218.5	-141.1	1415.0	3352.3		
Key macroeconomic assumptions													
Real GDP growth (in percent)	-6.3	1.1	1.7	4.0	4.4	3.2	3.7	3.9	3.9	4.4	4.0	**-1.3**	**4.1**
GDP deflator in US dollar terms (change in percent)	-12.3	15.3	2.5	-0.2	3.1	1.8	1.7	1.4	1.6	2.9	3.0	**0.3**	**2.2**
Effective interest rate (percent) 4/	1.0	1.8	2.4	2.2	1.8	1.7	1.6	1.6	1.7	1.8	1.4	**2.1**	**1.7**
Growth of exports of G&S (US dollar terms, in percent)	-40.5	65.8	48.6	-16.4	6.6	-2.2	-2.0	-1.3	-0.2	4.1	6.4	**7.9**	**0.3**
Growth of imports of G&S (US dollar terms, in percent)	-33.6	36.7	61.5	6.7	5.8	2.8	0.9	0.9	1.3	13.3	5.9	**4.1**	**4.8**
Grant element of new public sector borrowing (in percent)	...	...	...	33.0	30.3	30.0	30.6	24.4	33.8	38.2	38.2	**...**	**32.5**
Government revenues (excluding grants, in percent of GDP)	18.5	22.1	31.2	25.6	26.0	25.2	24.6	24.2	23.7	23.0	22.8	**26.2**	**24.1**
Aid flows (in Million of US dollars) 5/	173.2	120.8	86.6	459.8	416.7	312.1	348.4	291.2	320.3	384.9	533.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.3	1.7	1.3	1.3	1.1	1.2	1.1	0.8	**...**	**1.3**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	43.6	40.8	52.0	53.3	55.4	61.6	73.9	80.8	**...**	**58.7**
Nominal GDP (Million of US dollars)	11,485	13,387	13,961	14,493	15,602	16,389	17,291	18,219	19,242	27,345	53,714		
Nominal dollar GDP growth	-17.8	16.6	4.3	3.8	7.7	5.0	5.5	5.4	5.6	7.4	7.0	**-1.0**	**6.3**
Memorandum items:													
PV of external debt 7/	...	...	38.2	34.2	29.7	26.6	24.8	23.2	21.5	13.2	4.9		
In percent of exports	...	...	46.3	51.4	45.1	43.4	43.6	43.6	42.8	30.8	19.3		
Total external debt service-to-exports ratio	17.1	12.7	12.7	11.1	9.0	6.7	4.6	4.2	4.3	3.6	1.9		
PV of PPG external debt (in Million of US dollars)			5336.3	4954.5	4635.8	4360.0	4294.3	4231.7	4146.4	3602.3	2651.8		
(PVt-PVt-1)/GDPt-1 (in percent)				-2.7	-2.2	-1.8	-0.4	-0.4	-0.5	-0.6	-0.1		
Non-interest current account deficit that stabilizes debt ratio	-18.0	-9.8	-7.1	-0.6	0.5	2.4	2.4	3.2	3.4	9.8	8.7		

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.

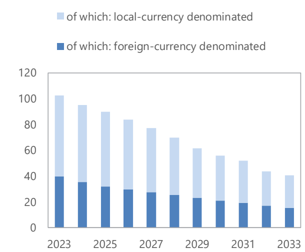
Table 3. Republic of Congo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–43

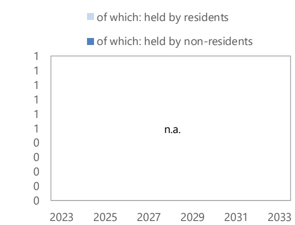
(Percent of GDP, unless otherwise indicated)

	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	102.3	95.2	89.7	83.8	77.3	69.8	40.6	21.2	76.5	70.2
of which: external debt	59.7	55.7	43.1	39.6	35.3	31.7	29.7	27.6	25.6	15.3	5.9	50.4	26.0
Change in public sector debt	24.9	-4.7	-5.3	9.8	-7.1	-5.5	-5.9	-6.5	-7.5	-3.2	-2.3		
Identified debt-creating flows	13.4	-8.9	-20.1	-7.6	-12.0	-8.4	-7.9	-8.4	-8.6	-6.1	-2.3	3.6	-9.0
Primary deficit	-0.1	-3.7	-11.6	-6.7	-7.9	-6.6	-5.9	-6.3	-6.5	-4.3	-0.8	1.7	-6.8
Revenue and grants	20.0	22.6	31.8	26.5	26.7	26.0	25.3	25.1	24.5	23.9	23.6	26.8	25.0
of which: grants	1.5	0.4	0.6	0.8	0.6	0.8	0.8	0.8	0.8	0.9	0.7		
Primary (noninterest) expenditure	19.9	18.9	20.2	19.8	18.7	19.4	19.5	18.8	18.0	19.6	22.7	28.5	18.1
Automatic debt dynamics	13.9	-5.3	-8.5	-0.9	-4.1	-1.9	-2.0	-2.2	-2.1	-1.8	-1.4		
Contribution from interest rate/growth differential	9.5	-5.9	-8.1	-0.9	-4.1	-1.9	-2.0	-2.2	-2.1	-1.8	-1.4		
of which: contribution from average real interest rate	4.3	-4.8	-6.4	2.7	0.2	1.1	1.2	1.0	0.8	0.0	-0.5		
of which: contribution from real GDP growth	5.2	-1.1	-1.7	-3.6	-4.3	-3.0	-3.2	-3.1	-2.9	-1.9	-0.9		
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	17.4	4.9	2.9	2.0	2.0	1.1	2.9	-0.1	2.6	4.2
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	87.5	96.7	89.7	84.6	79.1	73.2	66.1	38.4	20.3		
PV of public debt-to-revenue and grants ratio	...	...	275.2	365.3	336.5	326.0	312.3	292.1	269.3	160.8	86.0		
Debt service-to-revenue and grants ratio 3/	70.3	76.5	75.8	58.5	66.5	69.2	57.5	55.3	54.5	27.3	17.0		
Gross financing need 4/	13.5	13.6	12.5	8.8	9.8	11.4	8.7	7.6	6.9	2.2	3.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-6.3	1.1	1.7	4.0	4.4	3.2	3.7	3.9	3.9	4.4	4.0	-1.3	4.1
Average nominal interest rate on external debt (in percent)	1.0	1.7	2.5	2.2	1.8	1.7	1.6	1.6	1.7	1.8	1.4	2.1	1.7
Average real interest rate on domestic debt (in percent)	18.5	-7.7	-9.9	6.9	0.8	2.1	2.3	2.0	1.8	0.2	-2.9	1.3	1.8
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	-3.4	2.6	1.4	1.5	1.8	2.0	2.9	3.0	1.7	1.8
Growth of real primary spending (deflated by GDP deflator, in percent)	8.5	-4.1	8.8	2.1	-1.3	6.8	4.1	0.2	-0.1	25.0	4.1	-2.6	4.0
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-25.0	1.1	-6.3	-16.5	-0.8	-1.0	0.0	0.2	1.0	-1.1	1.5	-10.1	-2.1
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	**34**	30	27	25	23	22	20	18	16	15	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**34**	**36**	**37**	**39**	**40**	**40**	**39**	**38**	**36**	**34**	28
B. Bound Tests											
B1. Real GDP growth	**34**	**35**	**36**	**33**	**31**	29	27	24	22	20	18
B2. Primary balance	**34**	**32**	**34**	**33**	**32**	**32**	**31**	**30**	29	28	26
B3. Exports	**34**	**56**	**100**	**96**	**94**	**90**	**86**	**81**	**74**	**67**	**60**
B4. Other flows 3/	**34**	**46**	**60**	**58**	**56**	**54**	**52**	**48**	**44**	**39**	**35**
B5. Depreciation	**34**	**37**	**33**	**31**	29	27	25	23	20	18	16
B6. Combination of B1-B5	**34**	**56**	**69**	**67**	**64**	**61**	**58**	**54**	**49**	**44**	**40**
C. Tailored Tests											
C1. Combined contingent liabilities	**34**	**32**	30	28	28	27	26	24	23	22	21
C2. Natural disaster	**34**	**31**	28	27	26	25	23	22	20	19	17
C3. Commodity price	**34**	**42**	**52**	**52**	**52**	**51**	**49**	**46**	**42**	**39**	**35**
C4. Market Financing	**34**	30	27	25	23	22	20	18	16	15	13
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	51	45	43	44	44	43	41	39	36	33	31
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	51	55	61	68	74	79	81	81	79	76	66
B. Bound Tests											
B1. Real GDP growth	51	45	43	44	44	43	41	39	36	33	31
B2. Primary balance	51	48	55	58	61	63	64	64	63	62	61
B3. Exports	51	112	**299**	**312**	**323**	**330**	**326**	**316**	**297**	**277**	**258**
B4. Other flows 3/	51	71	99	102	105	107	106	102	96	89	83
B5. Depreciation	51	45	43	43	43	42	40	38	36	33	30
B6. Combination of B1-B5	51	87	86	136	140	**142**	139	133	125	116	108
C. Tailored Tests											
C1. Combined contingent liabilities	51	49	48	50	52	53	53	52	51	49	48
C2. Natural disaster	51	48	47	48	49	50	48	47	45	43	42
C3. Commodity price	51	82	104	109	112	111	106	103	97	92	85
C4. Market Financing	51	45	43	44	44	43	41	39	36	33	31
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**11**	9	7	5	4	4	4	4	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**11**	10	8	6	6	7	7	8	9	9	9
B. Bound Tests											
B1. Real GDP growth	**11**	9	7	5	4	4	4	4	4	4	4
B2. Primary balance	**11**	9	7	5	5	5	5	5	5	6	5
B3. Exports	**11**	**14**	**19**	**17**	**17**	**17**	**16**	**21**	**29**	**28**	**27**
B4. Other flows 3/	**11**	9	7	6	6	6	6	7	9	9	9
B5. Depreciation	**11**	9	7	5	4	4	4	4	4	4	4
B6. Combination of B1-B5	**11**	**11**	**11**	9	8	9	8	**11**	**12**	**12**	**12**
C. Tailored Tests											
C1. Combined contingent liabilities	**11**	9	7	5	4	5	4	4	4	4	4
C2. Natural disaster	**11**	9	7	5	4	5	4	4	4	4	4
C3. Commodity price	**11**	**12**	10	7	7	7	6	8	9	9	9
C4. Market Financing	**11**	9	7	5	4	4	4	4	4	4	4
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**29**	**23**	**16**	11	9	9	8	8	8	7	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**29**	**25**	**19**	14	13	14	14	**15**	**17**	**18**	**18**
B. Bound Tests											
B1. Real GDP growth	**29**	**27**	**22**	**14**	13	12	11	11	10	10	9
B2. Primary balance	**29**	**23**	**17**	12	11	11	10	10	11	11	10
B3. Exports	**29**	**27**	**26**	**22**	**20**	**20**	**18**	**23**	**31**	**29**	**27**
B4. Other flows 3/	**29**	**23**	**18**	**14**	13	13	12	**15**	**19**	**18**	**16**
B5. Depreciation	**29**	**29**	**20**	13	12	11	10	10	10	9	8
B6. Combination of B1-B5	**29**	**27**	**24**	**18**	**16**	**16**	**14**	**19**	**21**	**20**	**18**
C. Tailored Tests											
C1. Combined contingent liabilities	**29**	**23**	**17**	11	10	10	9	8	8	8	7
C2. Natural disaster	**29**	**23**	**16**	11	10	9	9	8	8	8	7
C3. Commodity price	**29**	**28**	**23**	**18**	**15**	**15**	13	**15**	**17**	**17**	**16**
C4. Market Financing	**29**	**23**	**16**	11	9	9	8	8	8	7	7
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/]

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	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
					PV of Debt-to-GDP Ratio						
Baseline	**97**	**90**	**85**	**79**	**73**	**66**	**58**	**53**	**49**	**41**	**38**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**97**	**104**	**111**	**118**	**126**	**133**	**141**	**155**	**172**	**183**	**197**
B. Bound Tests											
B1. Real GDP growth	**97**	**109**	**127**	**127**	**127**	**125**	**122**	**122**	**124**	**120**	**122**
B2. Primary balance	**97**	**108**	**123**	**119**	**113**	**106**	**98**	**92**	**88**	**79**	**75**
B3. Exports	**97**	**107**	**128**	**122**	**116**	**108**	**99**	**92**	**85**	**73**	**67**
B4. Other flows 3/	**97**	**106**	**119**	**113**	**107**	**99**	**90**	**83**	**77**	**66**	**61**
B5. Depreciation	**97**	**94**	**87**	**80**	**73**	**65**	**56**	**49**	**45**	**36**	32
B6. Combination of B1-B5	**97**	**103**	**115**	**113**	**110**	**105**	**100**	**97**	**95**	**89**	**88**
C. Tailored Tests											
C1. Combined contingent liabilities	**97**	**111**	**106**	**100**	**94**	**87**	**79**	**73**	**69**	**61**	**57**
C2. Natural disaster	**97**	**101**	**96**	**91**	**85**	**78**	**70**	**65**	**61**	**54**	**51**
C3. Commodity price	**97**	**98**	**103**	**111**	**116**	**118**	**117**	**116**	**117**	**113**	**115**
C4. Market Financing	**97**	**90**	**85**	**79**	**73**	**66**	**58**	**53**	**49**	**41**	**38**
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
					PV of Debt-to-Revenue Ratio						
Baseline	365	337	326	312	292	269	239	219	205	173	161
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	365	390	426	464	499	537	572	629	701	745	802
B. Bound Tests											
B1. Real GDP growth	365	408	484	497	502	504	493	496	507	492	504
B2. Primary balance	365	405	475	469	453	434	402	380	364	330	316
B3. Exports	365	400	494	483	463	442	406	378	351	306	282
B4. Other flows 3/	365	400	457	445	425	404	369	342	318	276	254
B5. Depreciation	365	352	335	316	291	264	230	205	186	150	134
B6. Combination of B1-B5	365	386	441	443	437	428	407	397	394	369	366
C. Tailored Tests											
C1. Combined contingent liabilities	365	416	408	396	376	354	322	301	286	253	240
C2. Natural disaster	365	378	370	358	339	318	288	268	255	223	212
C3. Commodity price	365	441	477	527	531	526	498	476	483	469	480
C4. Market Financing	365	337	326	312	292	269	239	219	205	173	161
					Debt Service-to-Revenue Ratio						
Baseline	58	67	69	58	55	55	48	43	38	36	27
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	58	71	84	83	97	117	130	149	169	196	212
B. Bound Tests											
B1. Real GDP growth	58	78	98	93	101	113	116	120	123	129	127
B2. Primary balance	58	67	95	109	111	118	108	97	91	88	77
B3. Exports	58	67	71	62	60	59	52	51	51	49	39
B4. Other flows 3/	58	67	71	61	59	58	51	50	48	46	37
B5. Depreciation	58	66	70	57	54	53	47	42	37	35	26
B6. Combination of B1-B5	58	69	81	72	75	80	78	79	78	80	74
C. Tailored Tests											
C1. Combined contingent liabilities	58	67	95	84	86	91	76	70	65	61	51
C2. Natural disaster	58	67	82	71	71	74	64	59	54	52	42
C3. Commodity price	58	82	89	77	89	100	103	109	112	118	117
C4. Market Financing	58	67	69	58	55	55	48	43	38	36	27

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

December 15, 2023

FOURTH 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, AND SUPPLEMENTARY LETTER OF INTENT

Approved By
Vitaliy Kramarenko (AFR) and Fabian Valencia (SPR)

Prepared by the African Department in consultation with LEG and SPR

1. **The Republic of Congo temporarily accumulated arrears on external debt owed to Libya that were inadvertently omitted from reporting to staff in the context of discussions under the fourth review under the Extended Credit Facility Arrangement (ECF).** The authorities disclosed this information to staff after circulation of the staff report for the fourth review under the Extended Credit Facility arrangement. The arrears amounting to $1.1 million were due as of September 1, 2023, and payments to Libya were temporarily late due to technical challenges in the payment process. The Executive Director representing Libya has confirmed that the Republic of Congo has met its payment obligations. These arrears, and their delayed reporting to the Fund, arose from capacity constraints faced by the Caisse Congolaise d'Amortissement (CCA), including coordination issues within the Ministry of Finance and Economy. To address respective capacity constraints and prevent future arrears, the authorities are accelerating the reorganization of the CCA, as also envisaged by the respective structural benchmarks agreed upon in the ECF arrangement (Table 13a of the staff report). The reorganization is expected to improve the coordination between all staff involved in debt service payment, both of CCA and the ministry, reduce the burden on CCA staff, and facilitate a hiring of additional qualified staff. The new organigram of CCA is expected to be approved by the Council of Ministers and will subsequently be submitted to parliament by end-December 2023. The authorities plan to complete the reorganization of CCA by end-March 2024, including the enactment of all laws and regulations needed, the recruitment of sufficient staff and their subsequent training, and the adoption of a procedures' manual. In light of these corrective actions, staff therefore supports the authorities' request for a waiver

of nonobservance of the continuous PC on the non-accumulation of new arrears on external debt caused by the arrears described above, and assesses that the thrust of the staff appraisal remains unchanged, including the authorities' continued commitment to the program. Based on information provided by the authorities, there are no other new external arrears at this moment.

2. The PC table attached to the supplemental LOI will replace "Table 1. Republic of Congo: Quantitative Performance Criteria (PC) and Indicative Targets (IT), 2022–23" attached to the original LOI and MEFP.

Supplementary Letter of Intent

Brazzaville, December 15, 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. In addition to our Letter of Intent dated November 29, 2022, we wish to provide additional information on external arrears of $1.1 million that were temporarily accumulated to one of our official creditors. Arrears in the amount of $1.1 million due as of September 1, 2023, were temporarily accumulated to Libya due to technical challenges along the payment process. Once the delayed payments exceeded the 30-day grace period provided for in the TMU, they became arrears for program purposes.

2. In addition to having met our payment obligations to the creditor, we are addressing the capacity constraints faced by the Caisse Congolaise d'Amortissement (CCA), including coordination issues within the Ministry of Finance and Economy, which led to these arrears. To this purpose the ongoing reorganization of the CCA is being accelerated. The respective new organigram of CCA is expected to be approved by the Council of Ministers and will subsequently be submitted to parliament by end-December 2023. We commit to completing the reorganization of CCA by end of March 2024, including the enactment of all laws and regulations needed, the recruitment of sufficient staff and their subsequent training, and the adoption of a procedures' manual. This reorganization is expected to improve the coordination necessary for a timely payment of any debt service due, strengthen debt reporting, reduce the burden on CCA staff, and facilitate hiring additional qualified staff. On this basis, we request for waiver of non-observance of the continuous PC on the non-accumulation of new external arrears which was caused by the arrears described above. There are no other new external arrears at this moment.

3. The government stands ready to take any additional measures that may be necessary to further improve debt management, a key pillar of the program. We will consult with the IMF on the adoption of such measures in advance of any revision of the policies contained in the MEFP, in accordance with the Fund's policies on such consultations.

Sincerely,

/s/

Jean-Baptiste Ondaye

Minister of Finance and Economy

Brazzaville, Republic of Congo

Table 1. Republic of Congo: Quantitative Performance Criteria (PC) and Indicative Targets (IT), 2023–24

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

	Type of Criteria	End-June 2023				End-Sept 2023[11]				End-Dec 2023		End-Mar 2024		End-June 2024	
		PC Program	PC Modified Program	Actual	Status	IT Program	IT modified Program	Actual	Status	PC Program	PC Modified Program	IT Program	IT modified Program	PC Program	PC Modified Program
Floor on basic non-oil primary budget balance (excluding oil-related transfers)[2]	PC	-303	-244	-233	Not Met	-444	-369	...	...	-459	-459	-132	-147	-262	-290
Adjusted target (floor)			-172												
Upward adjustment for higher than expected oil-related transfers			0												
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower oil revenue			72												
Ceiling on net domestic financing of the central government	PC	-47	166	127	Met	-121	122	...	...	-67	153	-33	-10	-40	6
Adjusted target (ceiling)			340												
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue			174												
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3,4]	PC	0	0	0	Met	0	0	13	Not Met	0	0	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,5,6,8]	PC	0	0	0	Met	0	0	0	Met	0	0	0	0	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,7]	PC	0	0	0	Met	0	0	0	Met	0	0	0	0	0	0
Floor on non-oil revenues	IT	405	415	444	Met	632	638	...	...	868	880	224	232	457	472
Floor for social and poverty-reducing spending	IT	181	181	98	Not Met	322	322	...	...	402	308	85	82	191	165
Ceiling on disbursements of external loans for investment projects	IT	123	121	108	Met	176	168	...	...	164	165	62	58	112	105
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion)[5,8]	IT	86	87	67	Met	100	102	...	...	143	216	174	216	205	216
Floor on repayment of domestic arrears accumulated by the central government	IT	40	53	102	Met	90	81	...	...	110	379	21	20	42	41
Memo items:															
Oil revenue[9]		584	553	655		965	873	...		1195	1205	321	347	631	681
Expected external assistance, net[10]		-239	-219	-363		-364	-327	...		-484	-401	-91	-108	-172	-195
- BoP assistance (IMF-ECF)		83	79	52		83	79	...		105	105	0	0	26	26
- Budgetary loans and grants (excl. IMF)		88	79	39		127	121	...		194	196	38	6	85	33
- Change in non-program external arrears		0	0	0		0	0	...		0	0	0	0	0	0
Payments for current external debt amortization due after debt relief		328	298	402		491	448	...		678	597	129	114	258	228

[1] Quantitative Performance Criteria and Indicative Targets are defined in the TMU. "Program" columns reported for the last quarter of 2023 and for 2024 represent the PCs and ITs set at the time of the third review of the ECF arrangement; "Modified Program" columns for the last quarter of 2023 and for 2024 represent the modifications to these PCs and ITs proposed during the fourth 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 third review (July 2023), due to arrears that were incurred March 2023 and resolved 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.

[11] The continuous quantitative performance criteria on the non-accumulation of external arrears was breached in July and a waiver of non-observance has been requested by the authorities.

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

Executive Board Meeting

December 20, 2023

INTRODUCTION

On behalf of our Congolese authorities, we would like to thank the Executive Board, Management, and staff for the continued engagement of the Fund in providing the needed support to the Republic of Congo's macroeconomic stability and development efforts. 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 fourth review under the Extended Credit Facility (ECF). As the authorities pursue the implementation of their National Development Plan for 2022–26 (PND 2022–26), the Fund's continued provision of financial and technical assistance is critical to help advance the country's agenda of sound macroeconomic policies and bold structural reforms.

Despite the difficult external environment and capacity constraints, the authorities have remained committed to program objectives and to advancing the implementation of their development plan while contributing to the Central African Economic and Monetary Union's (CEMAC) strategy. Program performance during the period under review was broadly satisfactory and efforts continue for preserving macroeconomic stability and deepening structural reforms—albeit some with delays—to improve governance, enhance transparency and accountability, and increase investment in infrastructure and human capital. The implementation of these reforms should help improve the environment for private investments that are needed to promote economic diversification and boost growth. The authorities will continue implementing policies compatible with regional external stability.

RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

Recent Economic Developments

While economic activity has kept real GDP for 2023 on track for picking up as projected, inflation has accelerated and will be higher than anticipated. Predicated on a recovery in the oil sector and continued strength in non-oil activities—including in the agriculture, forestry, mining, industries, and services—real GDP growth for 2023 is set to accelerate to 4 percent from 1.7 percent in 2022. Inflation picked up in recent months owing to high import prices, notably energy prices, and is expected to average 4.5 percent for the year, compared with 3.5 percent projected at the time of the third review and 3 percent observed in 2022.

From overperformance in the first half of 2023, the fiscal balance is expected to remain broadly as anticipated for the year as a whole, while the current account surplus would be smaller than projected. Reflecting higher oil prices and stronger mobilization of non-oil revenue, fiscal performance was stronger than projected in the first half of 2023 but, for the full year, it will remain in line with projections at the time of the third review of the ECF-supported program. In the external sector, despite higher oil prices, the current account surplus was lower than projected in the first half of the year, owing to a higher imports bill and it would remain below projection for the year as a whole.

The banking sector has remained relatively sound and credit to the private sector is picking up. Aggregate capital adequacy and liquidity indicators of the banking sector are strong, but two weak banks do not meet the required ratios. The ratio of non-performing loans (NPLs) remains elevated (17 percent at end-June 2023) albeit trending down, but the authorities' continued payment of domestic arrears and state-owned enterprises (SOEs)' debt repayment should help further reduce it. Despite tighter financing conditions, the growth of credit to the private sector is picking up. In August 2023, it reached almost 6 percent year-on-year, compared with 1.8 percent and 0.4 percent in the first quarter and the second quarter of the year, respectively.

Program Performance

Program performance during the period under review was broadly satisfactory. Three out of five quantitative performance criteria (QPCs) were met. The missed QPCs relate to the non-oil primary balance—notwithstanding stronger non-oil revenue mobilization—and the continuous restriction on accumulating new arrears on external debt contracted or guaranteed by the government. Both QPCs were missed mainly owing to higher-than-expected external debt service which is contingent on oil price developments—and to capacity constraints. However, the authorities have taken corrective actions as discussed below. Only one of the five end-June 2023 indicative targets (IT) was missed. The floor on social spending was missed as execution in areas covered by the program definition of social spending was delayed.

The implementation of structural reforms has advanced in a broadly satisfactory manner even though two measures have experienced delays owing to capacity constraints in parts of the public administration. The end-June 2023 structural benchmark (SB) on the comprehensive stock-taking of hydrocarbon-related VAT administration was implemented in mid-November 2023. The end-July 2023 SB on increasing resources available to cash transfers was not implemented but the authorities remain committed to implementing it and work is underway. The end-September 2023 SB on defining and publishing a list of selection criteria for public investment integrating the climate dimension was implemented in early November 2023.

The authorities have taken remedial actions to address missed program targets, demonstrating their continued commitment to the program objectives. The authorities are accelerating the restructuring and reorganization of the debt management office (Caisse Congolaise d'Amortissement, CCA) to address its capacity issues and enhance its accountability and effectiveness. This measure is expected to facilitate the production of reliable estimates for oil price-contingent debt service due to oil traders, thereby avoiding surprises of higher-than-projected debt service that weakens fiscal performance relative to program targets. It is also expected to improve debt management to avoid the accumulation of new arrears. The authorities have repaid external arrears accumulated for which they request a waiver of non-observance of PC, while maintaining good faith negotiations with few creditors for resolving legacy arrears.

OUTLOOK AND POLICIES FOR 2024 AND BEYOND

Outlook and Risks

The outlook for key macroeconomic indicators is generally favorable. In 2024, real GDP growth is projected to strengthen further to 4.4 percent underpinned by oil GDP growth, which is projected to accelerate to a peak of 6.5 percent before declining gradually as major oil fields mature. Inflation is expected to decelerate to 3.6 percent in 2024, owing in part to a softening of global food and energy prices.

Over the medium-term, macroeconomic indicators will continue to strengthen owing to the pursuit of sound policies and reforms. Growth is projected to moderate to an average of 3.7 percent, sustained by stronger growth of the non-oil sector resulting from the implementation of the structural reforms agenda. From 2025 onward, with the expected global disinflation, inflation is projected to stabilize at around 3 percent, which is the CEMAC convergence target. Fiscal consolidation is expected to continue over the medium-term, predicated on better mobilization of non-oil revenue, the phasing out of untargeted petroleum product subsidies—building on the recent bold adjustments of gasoline and diesel prices totaling 30 percent of increase in 2023—a containment of current spending that should facilitate an increase in targeted social spending, and the continued clearance of domestic arrears. In the external sector, reflecting moderating oil exports and a higher import bill associated with investments in the non-oil sector, the current account balance is expected to turn from a surplus to a deficit in 2026 and the deficit is expected to average about 1.4 percent during 2026–28. Notwithstanding this deficit, the contribution to the reserves of the regional central bank (BEAC) will continue as external debt service subsides.

The authorities recognize the important downside risks to the outlook while stressing that their continued program implementation would represent an important mitigating factor. On the external front, downside risks relate to an escalation of ongoing regional conflicts; weaker global growth that could adversely impact inward investment and remittances; oil price volatility in the context of the global green transition that could significantly subdue oil exports and revenues, thereby weakening external and fiscal balances. On the upside, higher fertilizer and metal prices could attract mining investment as Congo has a significant potash basin. Downside risks on the domestic side include adverse climate conditions that could curb agricultural output, fuel inflation, and exacerbate food insecurity; and failure to advance reforms could subdue growth and weaken development partners' support. On the upside, faster reform implementation could attract more official and private capital, contribute to accelerating economic diversification and to higher productivity and economic growth. Also, the potential discovery of new low-cost gas and oil fields would boost output and budgetary revenue. The authorities are determined to continue advancing their fiscal consolidation plan, ameliorating governance, and promoting economic diversification under the ECF-supported program, which will help rebuild buffers and strengthen the economy's resilience against shocks.

Fiscal Policy and Reforms

The authorities remain committed to a growth-friendly fiscal consolidation consistent with promoting fiscal and debt sustainability while protecting the most vulnerable segments of the population. The non-oil primary balance is projected to improve by nearly 6.5 percent of GDP (about 10 percent of non-oil GDP) over 2023–28. This fiscal consolidation is predicated on better revenue mobilization and a rationalization of current expenditures that should facilitate an increase in targeted social spending and the continued clearance of domestic arrears, which in turn will help sustain non-oil sector activity. Revenue measures include notably strengthening the control and monitoring of exemption, reducing customs exemption rates, and increasing excise taxes in line with CEMAC guidelines. Expenditure measures include the gradual phasing out of fuel subsidies, building on the recent progress; the containment of the wage bill, including by limiting the policy of automatic replacement of retirees only to priority sectors; better control of spending on goods and services; and reforming SOEs to reduce the transfers they receive. These policy measures should create fiscal space for the increase in targeted social spending and for contribution to the buildup of reserves at the regional level.

The authorities will also continue with the implementation of their fiscal structural reforms to support the envisaged fiscal consolidation and enhance debt sustainability. These reforms include the enhancement of procurement procedures, the strengthening of public financial management (PFM), including on cash management; and the finalization of the Treasury Single Account (TSA) to promote better monitoring of public revenue, enhance transparency in budget execution, and promote the efficient use of public resources. The architecture of the TSA will be improved, government's accounts in commercial banks will be gradually closed and transferred to the BEAC. Further, by mid-2024, oil export revenues are expected to be transferred automatically to the TSA after the related agreements between the government and BEAC are finalized. Other reforms include improvements in the selection, quality, and monitoring of investment projects; and the implementation of anti-corruption measures, building on recent institutional reforms on the governance and transparency.

Debt Management

As part of reform priorities going forward, the authorities are stepping up their efforts to strengthen debt management. These include reorganization of the debt management body CCA and enhancement of its human and administrative capacities (new SBs for end-December 2023 and end-March 2024), with the view to improve transparency, enhance institutional efficiency, and control debt-related risks. Smooth external debt service will also benefit from promoting better coordination between CCA, the Treasury, and BEAC.

Structural Reforms

The authorities' economic and financial reform agenda included under the ECF will continue to be aligned with the PND 2022-26 and 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 transform and diversify the economy of the region; (ii) continued support to 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, including through compliance with requirements under the Extractive Industries Transparency Initiative (EITI); (iv) strengthened domestic revenue mobilization; (v) reinforced governance; and (vi) reforms that promote private sector development. There are significant synergies between the PND 2022–26 and PREF-CEMAC.

Climate-related Reforms

Advancing reforms to tackle the climate change challenges remains high on the Congolese authorities' development agenda. As demonstrated by the devastating effects of adverse weather in the past few years, Congo is among the countries most vulnerable to climate change. The PND 2022–26 is being aligned with the country's climate strategy. The Fund's recent Climate Public Investment Management Assessment (C-PIMA) identified weaknesses that the authorities have started addressing. Under the current ECF-supported program, they have implemented reforms aimed at integrating climate aspects in public investment project selection.

With assistance from the country's development partners, the authorities will leverage recommendations from the C-PIMA and the World Bank's Country Climate and Development Report (CCDR) to identify and prioritize reforms that would best advance the implementation of their climate strategy. The Congolese authorities will continue their efforts to preserve the rainforest and promote the efficient exploitation of water resources in the Congo Basin. Implementing their agenda to address climate challenges will require large financing. In this regard, the authorities have reiterated their interest in requesting funding from the Resilience and Sustainability Facility (RSF) to support their climate change mitigation and adaptation reforms and catalyze further financing from other development partners and private investors. They look forward to the Fund's swift consideration of an RSF for Congo, which is exposed to climate shocks, while being home to an important global public good—the Congo Basin—that needs to be urgently preserved, including through afforestation and carbon credits.

CONCLUSION

Amidst the headwinds from a difficult external environment, program performance during the period under review was broadly satisfactory, demonstrating the Congolese authorities' strong commitment to the ECF-supported program. The authorities have continued the reduction of oil subsidies and taken corrective measures to address missed program targets. Further, they have renewed their commitment to fiscal consolidation and to advancing their structural reform agenda.

They continue to highly value the IMF’s policy advice, as well as its financial support and technical assistance. The Congolese authorities are requesting the completion of the fourth review under the ECF-supported program and approval of the related decisions. We would greatly appreciate Executive Directors’ favorable consideration of these requests.