International Monetary Fund

Republic of Congo
and the IMF

Press Release:
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November 30, 2009

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Republic of Congo: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 5, 2009

The following item is a Letter of Intent of the government of Republic of Congo, which describes the policies that Republic of Congo intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Republic of Congo, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

LETTER OF INTENT

Brazzaville, November 5, 2009

The Minister of Finance, Budget
and Public Portfolio

To:

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, DC 20431
United States of America

Dear Managing Director:

A new government was formed by President Sassou N'Guesso on September 15, 2009. The new government is determined to successfully implement the medium-term economic and financial program supported by the IMF under the Poverty Reduction and Growth Facility (PRGF) arrangement, which was approved by the Executive Board in December 2008. Our program is designed to support balanced growth, low inflation, and fiscal and external sustainability, including through debt relief under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC). In the attached Memorandum of Economic and Financial Policies (MEFP, Attachment I), we outline the broad thrust of our macroeconomic policies and the structural reforms we intend to take in the period ahead to achieve the objectives of our program.

Despite the global financial crisis and the volatility of world oil prices, the implementation of our Fund-supported program has been relatively smooth thus far. We attribute this to close program monitoring, our improving capacity and ability to address external shocks because of our better fiscal position, and our determination to reach the HIPC completion point as soon as possible.

Together with IMF staff, we have undertaken the external debt reconciliation that is required for reaching the HIPC completion point. I regret to inform you, Managing Director, that during this work it was discovered that we had made an error in our calculation of the discount we reported to the Paris Club and Fund staff on the settlement with litigating creditors in December 2008. We had mistakenly overestimated the London Club liabilities held by the litigating creditors (holding validated claims). The settlement in December 2008 included a discount of 37 percent, rather than the 65 percent we reported earlier. We notified the Paris Club of this mistake in mid September and further clarified the situation in a detailed report in mid October.

In view of the irregularities identified in BEAC's external office, we fully recognize that the IMF is appropriately concerned about safeguarding its resources and, in this regard, understand that it would not be in a position to complete our request for completion of the second review unless it is satisfied that related concerns are being addressed. To this end, we emphasize that the Congolese authorities are working closely with the BEAC and our CEMAC partners to ensure the timely implementation of the remedial measures discussed with Fund staff as necessary to demonstrate satisfactory progress in resolving safeguards concerns at the BEAC. Importantly, the BEAC has already responded in writing to IMF staff that they agree with the outlined remedial measures. In the event, we hope that a resolution to the problems can be found quickly, so as not to jeopardize our relations, or that of our CEMAC partners, with the IMF.

We believe that the policies and measures set forth in the attached MEFP are appropriate to achieve the objectives of our Fund-supported program. During the implementation of the program, we will consult with Fund staff on the adoption of any measures that may be necessary to achieve its objectives, at the initiative of the government, or whenever the Fund staff requests such a consultation.

The government intends to make the contents of this letter and those of the attached Technical Memorandum of Understanding (Attachment II), as well as the staff report accompanying its request for completion of the second review of the program, available to the public and authorizes the IMF to arrange for them to be posted on the Fund's website, subsequent to Executive Board approval of its request.

The third and fourth reviews under the PRGF arrangement are expected to be completed by end-February 2010 and end-September 2010, respectively.

Sincerely yours,

/s/

Gilbert Ondongo
Minister of Finance,
Budget, and Public Portfolio

Attachments (2)

ATTACHMENT I

Memorandum of Economic and Financial Policies, 2009–10

November 5, 2009

I. INTRODUCTION

1. In the period ahead, we will continue to pursue macroeconomic policies and structural reform consistent with the objectives laid out in the program approved by the Fund's Executive Board in December 2008, which is guided by the government's Poverty Reduction Strategy (PRS). In our view, those objectives remain achievable despite the global financial crisis, which has had a limited impact on Congo so far. This Memorandum of Economic and Financial Policies (MEFP) provides further details on policies over 2009–10, consistent with the medium-term program we laid out in our Letter of Intent and accompanying MEFP in November 2008.

II. RECENT ECONOMIC DEVELOPMENTS AND PROSPECTS

2. Economic activity has been generally strong during the past several years, although it slowed recently in response to a decline in timber exports and lower-than-expected oil production due to technical problems. Congo remains at high risk of debt distress but there has been a strengthening of our external debt position.

- Economic activity has slowed this year but is expected to pickup in the near term, as oil production is boosted by the output of new fields and the non-oil sector is buoyed by an expansion in the construction, telecommunications, and transport sectors. Real GDP growth in the non-oil sector could reach 6 percent next year, although a higher rate of growth is needed to reduce poverty durably. Inflation peaked in February of this year but has since trended downward and is projected to move toward the CEMAC convergence criterion of 3 percent (average inflation) in the period ahead.

- The external current account deficit is expected to widen this year but it should move into surplus next year, on account of an improvement in the terms of trade and higher oil exports. Our external debt position has been strengthened recently due to the Paris Club rescheduling in December 2008 on Cologne terms and a settlement with litigating creditors holding validated claims. External public debt fell from 90.7 percent of GDP at end 2007 to 56.6 percent at end 2008, and debt service has been cut in half. This position will further improve once Congo reaches the HIPC completion point.

3. The implementation of our Fund-supported program has been smooth so far, despite the global financial crisis and the volatility of world oil prices. Close program monitoring, improving administrative capacity, and our better fiscal position has helped in this regard.

Also, we have been motivated by the desire to reach the HIPC completion point as soon as possible, which will enable us to reap the benefits of further lowering our debt burden, and to free resources to finance pro-growth and pro-poor programs.

- Since 2007 when the basic non-oil primary fiscal deficit ballooned to 55.7 percent of non-oil GDP, we have strengthened public financial management and this will help us achieve our goal of long-term fiscal sustainability. At end 2008, the basic non-oil primary deficit was lowered to 44.3 percent of non-oil GDP, and we expect to further reduce it this year. Over the first half of 2009, the basic non-oil primary balance was CFAF 345 billion, compared with the program target of CFAF 371 billion. We accomplished this over-performance during the run-up to the Presidential election in mid July, mainly through strong tax revenue and better expenditure control.

- Progress has been made on structural reform and we observed all but one of the structural benchmarks through end June. These benchmarks included measures to improve public financial management (the preparation of a medium-term expenditure framework consistent with our PRS, no recourse to emergency payment procedures, and transparency in public procurement through the publication of bids above a specific threshold); and oil sector governance (the quarterly certification of oil revenue, and timely repatriation of oil proceeds to the treasury). Unfortunately, we could not finalize the strategic study of the oil sector because the inputs required to undertake this analysis were only recently obtained (including the development of an oil revenue model, audit reports of oil costs, audits of SNPC, the EITI report that we have just completed, and the design of a database).

- Also, we have made progress toward meeting the floating completion point triggers under the enhanced HIPC Initiative and we hope to reach the completion point as soon as possible. The Annual Progress report on the implementation of the PRS has been validated and submitted to Fund and World Bank management, and triggers in the social sectors, external debt management, and public expenditure priorities are now complete. The triggers on public financial management, and governance and natural resource management are expected to be met later this year, after we demonstrate a satisfactory track record of implementation of certain measures in these areas (public procurement, oil commercialization, and combating corruption)

III. The Program for 2009–10

4. Over the next year or so, we will maintain the thrust of macroeconomic policies with its focus on achieving low inflation to help preserve Congo's international competitiveness under the fixed exchange rate regime, and fiscal consolidation to preserve Congo's oil wealth for future generations. Structural policies will continue to focus on enhancing public financial management and governance, strengthening oil sector management, and furthering reforms initiated under the HIPC Initiative.

A. Fiscal Policy

5. Over a short period, we have undertaken a substantial tightening of the fiscal stance, which has put Congo in a strong position to address the global financial crisis and to slow the pace of consolidation, without jeopardizing the program's fiscal objectives. The target on the basic non-oil primary deficit remains unchanged for this year at CFAF 637 billion, equivalent to about 37.3 percent of non-oil GDP. We will target a basic non-oil primary deficit of about 33.8 percent of non-oil GDP in 2010; an adjustment of 3½ percentage points compared with the 4½ percentage points indicated at the time of the first review of our program last June. This slower pace of adjustment is possible because we front-loaded our fiscal consolidation efforts (19 percentage points of non-oil GDP over two years) and there is a positive fiscal impact of higher world oil prices and prospects for expanding long-term oil production. When oil prices and oil reserves increase, a smaller fiscal adjustment is needed in the non-oil primary deficit to ensure long-term sustainability.

6. Consequently, the 2010 budget that we have agreed with Fund staff and will be submitted to Parliament later this year will envisage a non-oil primary fiscal deficit of CFAF 638 billion. To achieve this target, we will

- continue to implement reforms to tax and customs administration and begin to address tax policy changes, in line with Fund technical assistance. We project an increase in oil revenue from an improvement in world oil prices and higher oil production, and an increase in non-oil revenue, partly due to an acceleration of growth in the non-oil economy. The Fund's technical assistance on tax policies suggest that Congo could increase non-oil revenue by as much as 3½ percent of non-oil GDP over the medium term, and we will make concerted efforts to implement its recommendations through an action plan with a detailed timetable by end-March 2010 (structural benchmark). We will undertake a planned review of exemptions with the view of eliminating most of them (again in line with Fund technical assistance), including in the areas of tax and customs administration (structural benchmark for end-December 2009) that should also help to mobilize more domestic revenue and the attainment of our targets.

- ensure the budget is consistent with the new medium-term expenditure framework (end December 2009 structural benchmark) and use the additional fiscal room to boost pro-poor spending. This will include a program to decentralize social, health and education outlays to improve their effectiveness (in line with the PRS); a slight increase in public investment (financed by interim-HIPC assistance) targeted at the transportation network; and resources to advance the process of restructuring the operations and performance of the main public utility companies (water, electricity, telephone, and transportation), guided by previous and ongoing technical assistance from our development partners. The reform of these public enterprises will be led by the Ministry of Finance, Budget, and Public Portfolio, which has been given this responsibility under the new government.

- implement on October 1, 2009 the fuel pricing mechanism that was adopted by the government earlier this year (structural benchmark). This mechanism is designed to remove pricing decisions from political interference, make price adjustments regular and transparent, and eliminate poorly-targeted fuel subsidies.

- continue to reduce domestic payments arrears (mainly wages, pensions, and liabilities to public enterprises), which is important for maintaining social cohesion and stability. Also, we will undertake audits to assess the arrears (wages, pensions) and liabilities of public enterprises liquidated or under restructuring. These audits will cover the period 2000–08 (structural benchmark for end-June 2010). These audits may have implications for the budget, which will be discussed with Fund staff once they are completed.

- refrain from using the SDR allocation (amounting to SDR 62.7 million) since it would carry a nonconcessional rate and Congo does not face financing constraints, especially with the improvement in world oil prices.

- continue to implement our program to enhance public financial management (with support from the Fund and World Bank), which will include maintaining the policy of no recourse to emergency payment and cash advance procedures and support for the implementation of the new procurement code by ensuring that public contracts over a specified limit are open to competitive tenders (both continuous structural benchmarks).

B. Monetary and Financial Sector Policies

7. Congo is a member of the Central African Economic and Monetary Community (CEMAC), which has a regional central bank (BEAC) and a fixed exchange rate. BEAC projects broad money growth for Congo of about 10½ percent for this year, consistent with the continued financial deepening of the Congolese economy.

8. To increase the growth of credit to the private sector, we are implementing a financial sector reform strategy drafted with the assistance of Fund staff. This strategy provides a roadmap and a timetable of actions, which we are moving forward with in consultation with the private sector. In the period ahead, reform will focus on enhancing the role of the corporate financial statement registry and the Central Credit Bureau to improve information on credit facilities, costs, and defaults, and strengthen the judicial sector (with assistance from the European Union), compliance with OHADA business laws, and reform of the land Registry Company.

C. External Sector Policies

9. The government will hold to the position that development should be financed mainly with its own resources, and it will seek grants and foreign assistance only on highly concessional terms (with a minimum grant element of 50 percent). It will continue to use its best efforts to obtain comparable treatment from suppliers, non-London Club creditors, and litigating creditors in its debt restructuring, as it pursues HIPC debt relief. We understand that broad-based support from our creditors is essential to proceed to the completion point and we will spare no effort to elicit that support.

D. Structural Policies

10. Concerning structural policies, we will continue to press ahead with the agenda laid out in our MEFP of November 2008, with its focus on improving public financial management, deepening financial intermediation (both discussed above), and strengthening governance and natural resource management. In addition, we will continue to push ahead with reforms initiated under the HIPC Initiative that complement these areas.

- We will strengthen governance through the progressive implementation of the action plan to combat corruption (prepared in consultation with our development partners), and make full use of the office of the Anti-Corruption Observatory. To that end, we will ensure that the Observatory has the necessary resources to operate effectively.

- In the oil sector, we will continue the practice of certifying oil revenue on a quarterly basis through an international auditor (continuous structural benchmark); ensure the repatriation to the treasury of oil proceeds within 45 days after shipment (continuous structural benchmark); support implementation of the new oil commercialization action plan by ensuring that oil is marketed in line with the recommendations made by the international consultant, who is advising the state-owned oil enterprise (SNPC, and its subsidiary COTRADE) on international best practice (these recommendations will include the introduction of competitive tenders for oil sales) (continuous structural benchmark); follow through with the necessary steps to complete the validation process under the EITI; continue to implement the action plan to reform the national petroleum refinery (CORAF); and complete the strategic study of the oil sector by end-March 2010 (structural benchmark).

E. Program Monitoring for 2009–10

11. Over the rest of 2009 and 2010, the program will be monitored through reviews based on biannual quantitative performance criteria for end-December 2009 and end-June 2010 (Table 1) and structural benchmarks (Table 2). Detailed definitions and reporting requirements for all quantitative performance criteria and structural conditions are contained in the accompanying Technical Memorandum of Understanding (TMU, Attachment II). The

authorities will make available to Fund staff all core data, appropriately reconciled and on a regular and timely basis, as specified in the TMU.

12. The third and fourth reviews under the PRGF arrangement are expected to be completed by end-February 2010 and end-September, respectively.

Table 1. Quantitative Targets, 2009-10
(Billions of CFA francs; cumulative from January; unless otherwise indicated)

	End-Jun. 2009		End-Sep. 2009	End-Dec. 2009	End-Mar. 2010	End-Jun. 2010	End-Sep. 2010	End-Dec. 2010
	Perf. Criteria	Actual	Indicative Target	Perf. Criteria	Indicative Target	Perf. Criteria	Indicative Target	Indicative Target
Quantitative targets								
Nonoil primary fiscal balance (floor)	-371	-345	-513	-637	-181	-363	-500	-638
New medium or long-term nonconcessional external debt (including leasing) contracted or guaranteed by the government (ceiling) [1, 2, 3]	0	0	0	0	0	0	0	0
New external debt (including leasing) with an original maturity of less than one year (ceiling)[2]	0	0	0	0	0	0	0	0
New oil-collateralized external debt contracted by or on behalf of the central government (ceiling)[2]	0	0	0	0	0	0	0	0
New nonconcessional external debt with a maturity of more than 1 year contracted or guaranteed by SNPC (ceiling)[2]	0	0	0	0	0	0	0	0
New external arrears on nonreschedulable debt (ceiling)[2]	0	0	0	0	0	0	0	0
New domestic arrears[2]	0	0	0	0	0	0	0	0
Memorandum items								
Oil revenue	300	380	686	1,070	516	1,060	1,618	2,187
Non-oil primary revenue	187	206	279	372	106	211	317	422
Pro-poor spending	…	216	318	406	125	249	352	455

[1] Excluding rescheduling arrangements and disbursements from the IMF; the minimum grant element is set to 50 percent.
[2] Continuous.
[3] The zero ceiling on concessionality does not apply to forthcoming external loans from the European Investment Bank and the Central African States Development Bank, as specified in paragraph 10 of the Technical Memorandum of Understanding.

Table 2. Structural Benchmarks Under the PRGF Arrangement, 2009–10

Measures	Timing
Public financial management and domestic revenue mobilization	
Submit to parliament a 2010 budget consistent with the new medium-term expenditure framework.	End-December 2009
Have no recourse to emergency payment and cash advance procedures except in situations stated in the organic budget law.	Continuous
Support implementation of the new procurement code by ensuring that 80 percent of public contracts) having a total value of over CFAF 250 million are open to competitive bidding.	Continuous
Prepare an action plan and timetable for the implementation of tax policy changes in line with FAD technical assistance.	End-March 2010
Undertake the planned review of exemptions in line with FAD technical assistance, including in the areas of tax and customs.	End-December 2009
Undertake audits to assess the arrears (wages, pensions) and liabilities of public enterprises liquidated or under restructuring. These audits will cover the period 2000-08.	End-June 2010
Governance and natural resource management	
Support implementation of the new oil commercialization action plan by ensuring that oil is marketed in line with the recommendations made by the international consultant, who is advising the state-owned oil enterprise (SNPC, and its subsidiary COTRADE) on international best practice. These recommendations will include the introduction of competitive tenders for oil sales.	Continuous
Have an internationally reputable audit firm certify oil revenue quarterly, using the same specifications as for the 2003 certification and with no restrictions on access to the information; and publish the certification reports on the website of the Ministry of Economy, Finance and Budget (www.mefb-cg.org). Also, the government will post on the website not only the audit but for each report, a note addressing comments by the auditors.	Continuous, with a one-quarter lag
Repatriate to the Treasury the proceeds of oil shipments commercialized by private companies and SNPC on behalf of the government within 45 days after the actual shipment date, based on actual quantities, prices, and shipment dates.	Continuous
Finalize the strategic study of the oil sector—assisted by Congo's development partners—which will include a critical assessment of the institutions and enterprises, including CORAF.	End-March 2010
Public enterprises	
Ensure regular and timely adjustment of petroleum-product prices in line with the pricing mechanism adopted in May 2009, to avoid the need for budget subsidies or subsidies to the state-owned oil refinery, CORAF.	Quarterly

ATTACHMENT II

Technical Memorandum of Understanding

Brazzaville, November 5, 2009

1. This technical memorandum of understanding (TMU) describes the definitions that are intended to clarify the measurement of the quantitative performance criteria and indicators in Table 1 of the supplemental Letter of Intent and the Memorandum of Economic and Financial Policies (MEFP, dated November 19, 2008) covering 2008–11. All quantitative performance criteria and indicators will be evaluated in terms of cumulative flows from December 31, 2008. Also, the TMU specifies the periodicity and deadlines for transmission of data to the staff of the IMF for program monitoring purposes.

I. DEFINITIONS AND COMPUTATION

A. Government

2. Unless otherwise indicated, **government** is defined as the central government of the Republic of Congo and does not include local governments, the central bank, and any public entity with autonomous legal personality (i.e., wholly- or partially-owned state enterprises) not currently covered by the government's consolidated financial operations table (tableau des opérations financières de l'Etat—TOFE).

B. Basic Primary Fiscal Balance

3. The scope of the government's **financial operations table** (TOFE) includes the general budget and the special accounts of the Treasury (including the forestry and road funds) and the government debt management agency (Caisse Congolaise d'Amortissement, CCA).

4. The government's **non-oil basic primary fiscal balance** is defined as total non-oil revenue excluding grants and interest income (on the government's accounts in the central and commercial banks), minus total expenditure (including net credit), which is to exclude transfers to Hydro Congo, interest payments on debt, foreign-financed capital expenditure, and expenditure financed by interim assistance under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. It is calculated from the budget execution outturn reported every month in the TOFE prepared by the Ministry in charge of finance.

5. The government's **total revenue** is reported in the TOFE on a cash basis. It includes all revenue collected by the Treasury (from tax and customs receipts, oil, services and forestry), whether they result from past, current, or future obligations. Receipts also include those recorded on a gross basis, in special accounts.

6. **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 of excess and profit oil. It excludes all forms of prepayment and pre-financing. 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.

7. **Expenditures** are recorded on a payment order basis**.** They include current expenditure, domestically-financed capital expenditure, foreign-financed capital expenditure, and net lending. Current expenditures include expenditures on wages, goods and services, common charges, interests on debt (domestic and external), transfers and subsidies, and other current expenditures. Subsidies to the state-owned oil refinery, CORAF, are estimated on the basis of the enterprises income statement.

8. Pro-poor spending is defined in the budget on the basis of the administrative classification, with a view to moving to the functional classification as soon as possible.

C. Foreign Debt and External Arrears

9. The definition of **government** used for the various external debt indicators includes government, as defined in paragraph 2, public institutions of an administrative nature (*Etablissements Publics Administratifs*), public institutions of a scientific and/or technical nature, public institutions of a professional nature, public institutions of an industrial and/or commercial nature (*Entreprises Publiques d'Intérêt Commercial*), and local governments, with the sole exception of the national oil company (SNPC)—see paragraph 12 below.

10. For the purposes of this memorandum**, debt and concessional loans** are defined as follows:

- As specified in the guidelines adopted by the Executive Board of the IMF, [1] debt will be understood to mean a current, 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

[1] See Executive Board Decision No. 6230-(79/140) as amended by Decisions Nos. 11096-(95/100) and 12274-(00/85).

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. 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 buyers' 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 some time after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. 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. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are 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.

- Loan concessionality is assessed on the basis of the commercial interest reference rates (CIRRs) established by the OECD. A loan is said to be on concessional terms if, on the date of conclusion of the contract, the ratio of the net present value of the loan, calculated on the basis of the reference interest rates, to its nominal value is less than 50 percent (i.e., a grant element of at least 50 percent). For debts with a maturity exceeding 15 years, the ten-year reference interest rate published by the OECD is used to calculate the grant element. For shorter maturities, the six-month market reference rate is used.

- The concessionality requirement applies not only to the central government, but also covers debt incurred by public enterprises. The sole exception to this concessionality requirement is the projected external loans to the Port Authority of Pointe Noire to support its rehabilitation from the European Investment Bank in an amount up to euro 29 million, and from the Central African States Development Bank in an amount up to euro 9.1 million.

11. The quantitative indicative target with respect to **external debt** apply not only to debt as defined in the above-mentioned guidelines, but also to commitments incurred or guaranteed for which no value has yet been received or on which only partial drawings have been made. However, this does not apply to financing from the IMF or to Treasury bills and bonds issued by the Congolese Treasury in CFA francs on the CEMAC regional market.

12. For **external debt with an initial maturity of less than one year (**a continuous quantitative performance criterion)**,** normal short-term import and export credit are excluded from the scope of the indicator, including the prepayments.

13. The ceiling on any **new nonconcessional external debt with a maturity of more than one year contracted or guaranteed by the SNPC**, with or without government guarantee, will be observed continuously. The SNPC may borrow only to finance investments related to its core activities (research, exploration, production, refining and distribution of oil, construction of a Brazzaville headquarters, creation and strengthening of its database, etc.). In addition, these investments must be included in the SNPC's investment budget approved by its board of directors. The ceiling on debt does not apply to changes in loan accounts with oilfield partners or to loans with maturities of less than one year.

14. The accumulation by the government of **external payment arrears** is the difference between (i) the gross amount of external debt service payments due (principal and interest, including penalty and/or late interest, as appropriate) and (ii) the amount actually paid during the period under consideration. Under the program, the government commits itself to not accumulate external payment arrears on non-reschedulable debt (that is, debt to Paris Club creditors contracted after the cutoff date and debt to multilateral creditors). Non-accumulation of external payment arrears is an indicator to be continuously observed.

D. Oil-Collateralized External Debt and Oil Prepayments

15. Oil-collateralized external debt is external debt which is contracted by giving an interest in oil. Pre-financing is defined as an oil-collateralized loan which is repaid by the sale of the oil in a different calendar year. 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 and/or due dates are permitted but should not give rise to an augmentation of the existing stock of oil-collateralized debt.

16. A prepayment is defined as an advance payment by the purchaser of oil on a specific oil shipment. Prepayment-related operations must be repaid within 6 months but in any case within the calendar year in which they were contracted.

E. Payment Arrears and Domestic Debt

17. Domestic payment arrears of the government are equivalent to the difference over the period under review between the amount of payments authorized and the actual payments made (within 90 days).

II. Information for Program Monitoring

18. The government will submit the following information to the staff of the IMF through its Resident Representative, and within the time period specified below.

A. Oil Sector

19. Regarding the oil sector, the government will submit the following information to IMF staff within four weeks after the end of the month:

- the monthly data on oil production by oil field, production costs, volume exported, export prices, and the operations of the national oil company (SNPC);
- the breakdown concerning the share of crude oil that accrues to the government, by oil field, distinguishing the type of resource to which this share relates (royalties, profit oil, etc.);
- any change in the tax parameters;
- a breakdown of oil prices;
- a monthly detailed list of shipments commercialized by SNPC on behalf of the government, including information on the type of product, the date of loading, the recipient, the number of barrels and the selling price (in US dollars and CFAF) as well as the date of receipt of the sale proceeds by the Treasury; and
- actual and projected quarterly data to determine the required subsidies in the fuel sector, including prices, quantities, and costs.

B. Government Finance

20. Regarding government finance, the government will submit the following information to IMF staff:

- A table on government fiscal operations (TOFE) and its annexes. The annexed tables include (i) the breakdown of oil revenue in value terms with the corresponding notes on computation, (ii) excess oil trends and any bonus payments, (iii) the breakdown of tax and non-tax revenue, and central government expenditure, particularly transfers and common charges; and (iv) a report on the amounts of and rationales for emergency payment and cash advance procedures. The provisional TOFE and its annexes will be reported monthly within four weeks from the end of the month, whereas the final TOFE and its annexes will be reported within six weeks from the end of each month.

- Monthly data on the prices and taxation of petroleum products. These data will include: (i) the price structure in effect during the month; (ii) the details of computation of the price structure, (f.o.b. Mediterranean price) at retail prices, including the border impact prices, taxes, transit costs, economic adjustments, ex-refinery prices (for CORAF and imports), entry distribution prices, margins and fees, transport costs and losses, financing expenses, and insurance; (iii) amounts released for sale; and (iv) a breakdown of the tax revenue from oil products—customs duties and value-added tax—and direct/indirect subsidies incurred by the budget. These data will be reported within four weeks from the end of the month.

- The Treasury balance to monitor expenditures. It will include the amount of commitments, payment orders, and payments, for both current and capital expenditure. It will be produced on a quarterly basis, and submitted to Fund staff no later than four weeks after the end of each quarter.

- Data on implementation of the public investment program, including the breakdown relating to financing sources. If the data on the execution of investments financed with foreign grants and loans are not available on schedule, a linear estimate of execution in comparison with annual forecasts will be used. These data will be reported on a quarterly basis within four weeks from the end of the quarter.

- Complete monthly data on domestic financing of the budget (net bank credit to, and net non-bank credit to the government). These data will be reported monthly within four weeks from the end of the month.

- The table used to monitor the expenditure process will list the amount of commitments, payment orders, and payments, for both operating and capital expenditures. It will be produced on a quarterly basis, and submitted to Fund staff no later than four weeks after the end of the quarter.

- A quarterly table for monitoring poverty reduction expenditures, based on the pro-poor sectors defined in the poverty reduction strategy paper—basic health care and education; infrastructure and rural integration; water and electricity; disarmament, demobilization and reintegration; social protection, and agriculture). The quarterly tables will be submitted within four weeks of the end of the quarter.

- A monthly table of prepayments, which will also indicate the nature of the expenditures (current transfers, investment, etc.) and the justification for the need to use the prepayment option.

C. Monetary Sector

21. The government will submit on a monthly basis, within four weeks of the end of the month, the following preliminary information:

- data on net bank credit to the government;
- the consolidated balance sheet of the monetary institutions, the central bank survey, and the commercial banks survey;
- the integrated monetary survey;
- the table of lending and deposit rates; and
- the usual banking supervision indicators for banks and non-bank financial institutions, where necessary.

22. The final data for the integrated monetary survey will be transmitted within six weeks of the end of the month.

D. Balance of Payments

23. The government will submit the following information to IMF staff:

- any revised balance of payments data (including services, private transfers, official transfers, and transactions for the capital and financial account) as soon as the data are revised; and
- foreign trade statistics (volume and price) prepared by the national statistics agency within three months of the end of the reporting month.

E. Debt

24. The government will submit the following to the staff of the IMF within four weeks of the end of the month:

- data on the stock, accumulation, and payment of domestic arrears;
- data on the stock, accumulation, and payment of external payment arrears;

- a breakdown of estimated domestic and external public debt service, service due, and actual payments, including breakdowns of principal and interest and by creditor;

- the list and amounts of new external debt incurred or guaranteed by the government, including detailed information on the terms and conditions (currency, interest rate, grace period, and maturity) stated in the original agreement; and

- actual disbursements of foreign financial assistance (project and non-project), including new borrowing and any external debt relief granted by foreign creditors (CCA tables).

F. Real Sector

25. The government will submit the following to the staff of the IMF:

- monthly itemized consumer price indices, within four weeks of the end of the month;

- any revision of the national accounts; and

- any other indicators and statistical data used to track overall economic developments, including information on activity in the forestry sector and wood-processing industry, as well as the short-term economic bulletins prepared monthly.

G. Structural Reforms and Other Data

26. The government will submit the following information to the IMF staff:

- a monthly detailed table concerning the implementation of structural measures under the program;

- any study or official report on the economy of the Republic of Congo, within two weeks of its publication; and

- any decision, order, law, decree, ordinance, or circular having economic or financial implications for the program, within two weeks from the time it is published, or, at the latest, from its entry into force.