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REPUBLIC OF CONGO

February 2022

REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTED CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE REPUBLIC OF CONGO

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

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 21, 2022 following discussions that ended on November 4, 2021, 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 January 10, 2022.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Republic of Congo.

The documents listed below have been or will be separately released.

- Letter of Intent sent to the IMF by the authorities of the Republic of Congo*
- Memorandum of Economic and Financial Policies by the authorities of the Republic of Congo*
- Technical Memorandum of Understanding*

*Also included in Staff Report

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

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PRESS RELEASE

PR22/10

IMF Executive Board Approves New US$455 Million Extended Credit Facility Arrangement for the Republic of Congo

FOR IMMEDIATE RELEASE

The IMF Executive Board approved a new 36-month arrangement under the Extended Credit Facility for the Republic of Congo, in an amount equivalent to about US$455 million. The Executive Board's decision will enable an immediate disbursement equivalent to about US$90 million.

New waves of the COVID-19 pandemic are creating headwinds for the nascent economic recovery from the deep recession spurred by the pandemic's onset and related oil price shocks.

Reducing debt vulnerabilities while implementing fiscal policy that supports a strong and equitable economic recovery will be key.

Advancing wide-ranging structural reforms, including anti-corruption measures, transparency in the use of public resources, and energy sector reforms, will be important for improving governance and the business environment.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) approved a 36-month arrangement under the Extended Credit Facility (ECF) in an amount equivalent to SDR 324.0 million (about US$455 million or 200 percent of the Republic of Congo's quota in the Fund), to help the country maintain macroeconomic stability and support economic recovery in the context of the pandemic, including by catalyzing financial support from official donors. The Executive Board's decision will enable an immediate disbursement equivalent to SDR 64.80 million (about US$90 million).

Over the long term, policies under this ECF-supported program will 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 restore and 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 economy is expected to strengthen in the second half of the year, supported by vaccine rollout, social spending, and domestic arrears payments. However, the nascent recovery is facing significant risks, including a possible worsening of the pandemic, continued volatility in oil prices and production, climate change shocks, and weaker-than-expected reform implementation.

"The authorities' program, supported by a new three-year Extended Credit Facility arrangement, aims to maintain macroeconomic stability during the recovery, reduce fragilities, and put the country on a medium-term path to higher, more resilient, and inclusive growth. The arrangement is also expected to catalyze development partner support.

“Reducing debt vulnerabilities while supporting a strong and equitable recovery will be key. To this end, ensuring adequate fiscal space for critical social spending and infrastructure investment is essential. The authorities are focused on strengthening domestic revenue mobilization and public spending efficiency, including through enhanced public investment management. Improved debt management will also be instrumental, including to ensure steady repayment of debt and arrears. The authorities are taking steps to finalize external debt restructuring.

“Wide-ranging structural reforms are central to improving governance and the business environment, and addressing challenges from climate change and the global transition to low-carbon economies. Operationalizing the new anti-corruption architecture, implementing energy sector reforms, strengthening public financial management, and enhancing financial stability and inclusion would help address long-standing structural bottlenecks and raise confidence.”

Table 1. Republic of Congo: Selected Economic and Financial Indicators, 2020–26

	2020	2021	2021	2022	2023	2024	2025	2026
	Est.	2021 AIV	Proj.					
	(Annual percentage change unless otherwise indicated)							
Production and prices								
GDP at constant prices	-8.1	-0.2	-0.2	2.4	2.9	6.5	2.2	1.2
Oil	-8.5	-2.9	-2.9	1.0	1.5	11.5	-2.4	-7.1
Non-oil	-8.0	0.9	0.9	3.3	3.7	4.0	4.4	4.8
GDP at current prices	-20.8	17.5	17.3	3.3	2.8	6.9	3.1	2.8
GDP deflator	-13.8	17.7	17.5	0.8	-0.1	0.4	0.9	1.5
Non-oil	1.8	2.0	2.0	2.8	3.0	3.0	3.0	3.0
Consumer prices (period average)	1.4	2.0	2.1	2.7	3.0	3.0	3.0	3.0
Consumer prices (end of period)	0.6	2.7	2.8	3.0	3.0	3.0	3.0	3.0
External sector								
Exports, f.o.b.	-36.2	44.2	44.2	0.5	-3.1	5.8	-4.3	-4.9
Imports, f.o.b.	-25.3	14.7	13.2	13.5	6.8	8.8	2.1	0.3
Export volume	-2.2	3.0	4.7	2.5	2.0	6.7	1.5	5.3
Import volume	-19.8	-6.6	-9.9	14.7	10.8	11.1	3.6	-3.0
Terms of trade (deterioration -)	-27.8	17.3	12.0	-0.8	-1.4	1.2	-4.4	-13.1
Current account balance (percent of GDP)	-0.1	12.1	13.4	5.5	0.3	-1.4	-4.0	-4.3
Net foreign assets	-8.0	11.0	5.3	-7.5	32.9	13.7	15.2	23.5
External public debt (percent of GDP)	62.4	49.6	50.1	46.0	43.3	38.7	34.9	33.2
Monetary sector								
Broad money	18.0	32.7	27.2	10.8	10.5	8.3	12.4	14.2
Credit to the private sector	3.5	0.8	0.6	4.1	3.3	4.5	8.0	9.4
	(Percent of GDP)							
Investment and saving								
Gross national saving	22.5	33.5	34.4	29.3	25.2	23.4	21.4	21.7
Gross investment	22.6	21.3	21.0	23.8	24.9	24.8	25.4	26.0
	(Percent of non-oil GDP, unless otherwise indicated)							
Central government finances								
Total revenue	31.1	36.2	38.2	39.8	37.6	37.6	35.4	33.0
Oil revenue	15.3	21.6	22.9	23.2	20.8	20.6	17.9	15.1
Nonoil revenue (including grants)	15.8	14.6	15.3	16.6	16.8	17.0	17.5	17.9
Total expenditure and net lending	32.8	33.8	36.0	35.5	35.6	34.6	34.9	34.1
Current	27.8	28.2	31.0	28.2	28.0	27.2	27.1	26.2
Capital (and net lending)	5.0	5.6	5.0	7.3	7.6	7.4	7.8	7.9
Overall balance (deficit -, payment order basis)	-1.7	2.4	2.2	4.3	2.0	3.0	0.6	-1.1
Overall balance (deficit -, payment order basis, percent of GDP)	-1.2	1.5	1.4	2.7	1.4	2.0	0.4	-0.8
Non-oil primary balance (- = deficit)	-15.2	-17.0	-17.1	-15.7	-15.3	-14.4	-14.4	-13.3
Basic primary fiscal balance (- = deficit)1	0.2	4.7	5.7	7.5	5.4	6.2	3.5	1.8
Basic non-oil primary balance (- = deficit) 2	-15.3	-14.7	-16.5	-12.7	-12.1	-11.3	-11.4	-10.9
Reference fiscal balance (percent of GDP)3	2.6	0.4	-0.5	-1.2	-2.7	-1.4	-1.7	-1.9
Primary balance (percent of GDP)	0.1	2.9	3.6	4.8	3.6	4.2	2.5	1.3
Financing gap (in percent of GDP)	0.0	0.0	0.0	3.1	2.9	1.8	0.0	0.0
Total public debt (percent of GDP)4	110.1	84.2	93.5	89.3	83.6	74.9	71.9	72.1
	(Percent of total government revenue excluding grants)							
External public debt service	42.0	34.4	29.0	33.4	28.6	24.0	20.3	11.0
	(Billions of CFA francs, unless otherwise indicated)							
Nominal GDP	5,937	6,976	6,962	7,189	7,390	7,899	8,146	8,370
Nominal oil GDP	1,691	2,607	2,593	2,550	2,436	2,591	2,438	2,208
Nominal non-oil GDP	4,245	4,369	4,369	4,639	4,955	5,308	5,708	6,162
Nominal GDP in US$ (millions)	10,329	12,744	12,676	13,235	13803	14934	15,568	16,122
Congolese oil price (U.S. dollars per barrel)	39	65	65	64	61	59	57	56
Brent Price (U.S dollars per barrel)	42	67	67	66	63	61	59	58
Oil production (Millions of barrels)	112	109	109	110	112	125	122	113
Nominal Exchange rate (CFA/USD, period average)	575	…	…	…	…	…	…	…
REER (percentage change)	6.5	…	…	…	…	…	…	…

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

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

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

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

[4] The 2020 stock of debt has been revised upward since the 2021 Article IV to reflect data and coverage revisions.

REPUBLIC OF CONGO

January 10, 2022

REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

EXECUTIVE SUMMARY

Context. A new wave of the COVID-19 pandemic is creating headwinds for the nascent economic recovery from the deep recession spurred by the pandemic's onset and related oil price shocks. Over the medium term, reforms supporting improved governance, economic diversification, and resilience will help confront challenges from climate change, and the global transition to low-carbon economies—gradually resulting in improved incomes, job creation, inequality, and exit from fragility. In the near term, fiscal space to address these challenges is limited. Although debt sustainability was recently restored, large liquidity risks and vulnerabilities remain. Due to arrears and on-going negotiations with an external commercial creditor, debt is classified as "in distress". The recent AIV consultation concluded on September 24, 2021.

Extended Credit Facility Arrangement (ECF). The authorities have requested a 36 month arrangement under the ECF for the amount of SDR 324.0 million (200 percent of quota).

Outlook and Risks. Economic recovery is anticipated to strengthen in 2022 as headwinds from the pandemic subside. Inflation is expected to remain contained. Key risks to the outlook include volatility in oil prices and production, slowdown in vaccine rollout, climate shocks, and weak reform implementation.

Program objectives and policies. The authorities' ECF-supported program aims to address immediate and protracted balance of payments needs associated with building a recovery that reduces fragilities and results in higher, more resilient, and inclusive growth. Key supporting program policies are: (i) increased infrastructure and social spending while undertaking fiscal consolidation through revenue mobilization and spending reprioritization; (ii) resolution of external arrears; (iii) strengthened public investment and debt management, which combined with (i) and (ii), will reduce debt vulnerabilities; and (iv) governance, transparency, and supply-side structural reforms promoting economic diversification. The arrangement will help catalyze development partner financing, contribute to regional stability, and will be supported by regional CEMAC efforts to maintain an appropriate monetary policy stance and promote financial sector stability.

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

Discussions on an ECF-supported program were held virtually during October 7–18 and November 4, 2021. The staff team comprised Ms. Mitra (head), Mr. Islam, Mr. Sulemane (all AFR), Mr. Chaudry (SPR), Ms. Liu (FAD), Mr. Swanepoel (LEG), Mr. Million (Resident Representative), Mr. Nsongui Tonadio (local economist), and Mr. Sarda (FAD long-term expert). Mr. Sidi Bouna (OED) joined in key discussions. Mr. Tsoungi (World Bank) joined the technical meetings. Ms. Akor provided research support and Ms. Adjahouinou assisted in preparing the staff report. The mission held discussions with the Hon. Mr. Andely Minister of Finance and other senior officials. The mission also met representatives of the private sector, civil society, and development partners.

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ANNEXES

APPENDIX

CONTEXT

1. **New waves of the COVID-19 pandemic are spreading across the Republic of Congo (Congo).** There were a record 7,626 new COVID-19 cases and 187 deaths during September through December 31, 2021 (Box 1) following the spread of the Delta and Omicron variants across the country. Containment measures have been intensified, including curfew extensions and vaccine or negative COVID-test requirements to enter public buildings. So far, there are no plans for reinstating lockdowns. Concurrently, vaccine deployment continues with the goal of vaccinating 60 percent of the population by end-2022—costing $88 million (0.7 percent of GDP, Text Table 1). As of December 31, 2021, 1 and 17 percent of these people are partially and fully vaccinated. In 2021, the government projects having spent 0.3 percent of GDP for vaccine deployment (in line with the budget) and 0.7 percent of GDP for health care equipment and supplies, and social transfers—0.3 percent of GDP higher than previously budgeted due to recent intensification of the pandemic which has required expanding these services, including creating more temporary care facilities. The public continues to support the government's handling of the pandemic but remains concerned over social inequity and weak governance ahead of the mid-2022 Parliamentary elections.

Text Table 1. Republic of Congo: COVID19 — Vaccine Scenarios[1,2]

Priorities (% of Population)	3%	17%	40%	Total (60%)
Costs (USD million):				
Cost of vaccines	0	36	29	65
Operational Costs	8	8	8	23
Total Cost	**8**	**43**	**37**	**88**
o/w				
China--Sinopharm for first 3% of population (Grant)	…	…	…	0.0
Russia--Sputnik for next 17% of population (Cash payment)	…	…	…	35.6
African Union AVAT for part of 40% of remaining population (Loan)	…	…	…	6.9
World Bank for part of 40% of remaining population (Loan)	…	…	…	12

Source: Government of Republic of Congo, Plan National de Déploiement et de Vaccination COVID-19 au Congo, February 2021.

[1] Total represents 60 percent of the population.

[2] Operational costs include administration costs. In-country transportation costs are included in the cost of vaccines.

2. **Development partner financing in support of deep reforms will be critical for a sustained recovery from the pandemic.** Congo has been in recession since 2015, triggered by a sharp decline in oil prices in 2014 and weak governance that led to a rapid increase of public debt. Ambitious fiscal consolidation and bold structural reforms during 2018–19 had created the foundations for a recovery when the pandemic struck. The human and economic toll of the pandemic, including through erosion of the population's earnings potential, is aggravating Congo's fragilities (Annex I)—which are already heightened by the adverse impact of climate change on food security and poverty, and, absent economic diversification, the long-term economic repercussions of reduced global oil demand following the expected global transition to low-carbon economies. In the face of these challenges, raising medium-term incomes, inclusiveness, and resilience will require financial and capacity building support from development partners that boosts social and capital spending while structural and governance impediments are addressed.

3. **Against this backdrop, the authorities have requested a three-year arrangement under the Extended Credit Facility (ECF).** The arrangement would provide SDR 324.0 million (200 percent of quota) to meet immediate and protracted balance of payments needs associated with (i) maintaining macroeconomic stability during a fragile recovery from the pandemic and (ii) the

authorities' medium-term economic reform program—centered around economic diversification and resilience to climate change—which seeks to place Congo onto a path of higher, more resilient, and inclusive growth. The proposed Fund-supported program has been tailored to address Congo's fragilities with focused and streamlined conditionality supported with substantial capacity development. The arrangement is also expected to catalyze development partner financing.

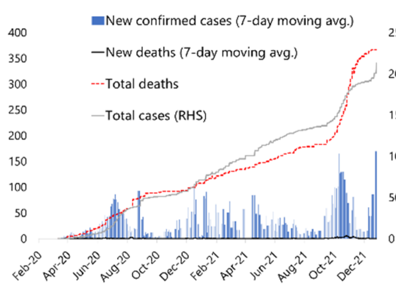
Box 1. COVID-19 Pandemic in the Republic of Congo[1]

A third wave of the COVID-19 pandemic hit the Republic of Congo in the Fall of 2021 (Panels 1 and 2), which was followed by the recent spread of the Omicron variant. New cases have surged and as of December 31, 2021, there were 21,277 confirmed cases, 369 deaths and 18,825 recoveries. In March 2020, the government policies in response to the pandemic were stricter than the world average; however, these policies have gradually become less strict with some tightening of restrictions in recent weeks (Panel III). All departments of the country have been affected by the pandemic with Brazzaville and Pointe-Noire having the highest confirmed cases of COVID-19 (Panel IV).

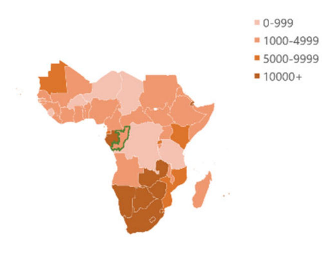
Vaccine deployment began in March 2021, with the 3 percent of people most exposed to the disease (e.g., health care and social workers, teachers, border professionals) being vaccinated first; followed by the next 17 percent (e.g., students, retail and office personnel); and then another 40 percent. A total of 767,398 COVID-19 vaccines have been administered, which includes 287,413 Sinopharm doses, 24,376 Sputnik V doses, 106,187 Sputnik Light doses, 76 Pfizer doses and 349,346 Johnson and Johnson doses.

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

COVID-19 Trends

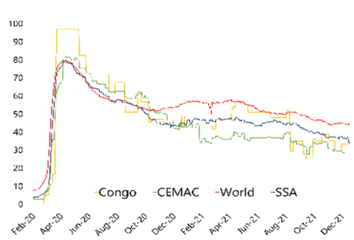


COVID-19 Cases per Million of Inhabitants



COVID-19 Government Response Stringency Index[2]

(100 = most stringent; 0 = least stringent)



COVID-19 Statistics by Department

	Confirmed Cases			Deaths	Recoveries
	Total	Male	Female	Cumulative	Cumulative
Bouenza	92	28	64	7	85
Brazzaville	13045	5103	7942	208	11334
Cuvette	109	34	75	1	101
Cuvette-Ouest	60	4	56	0	60
Kouilou	146	46	100	2	131
Lekoumou	18	4	14	1	17
Likouala	90	14	76	1	89
Niari	54	25	29	5	49
Plateaux	151	40	111	0	151
Pointe-Noire	7294	2068	5226	141	6596
Pool	38	12	26	0	35
Sangha	180	39	141	3	177
Total	**21277**	**7417**	**13860**	**369**	**18825**

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

[1] Figures as of December 31, 2021.

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

RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, AND RISKS

4. Economic recovery faces headwinds from intensification of the pandemic and weak oil production.

- The economic recession that began in 2015 was amplified by the pandemic and oil price collapse in 2020, with 8.1 percent real GDP decline (Figure 1).

- In 2021, real GDP growth of -0.2 percent is expected. Despite higher oil prices in 2021, oil production is projected at -2.9 percent due to insufficient investment during the pandemic preventing the largest producers from fully restarting oil production. Non-oil growth is projected at 0.9 percent. Employee absences in 2021Q4 related to the third wave of the pandemic slowed the strong momentum in 2021Q1-Q3 fueled by agricultural and mining expansion, large companies substituting locally-sourced inputs in place of imported inputs, improved services activity, increased social spending and public investment, and domestic arrears payments.

- Economic recovery is anticipated to take hold in 2022 with 2.4 percent real GDP growth. Headwinds from the pandemic are expected to subside in the second half of the year—largely owing to the current acceleration of the vaccination campaign—allowing non-oil growth to strengthen to 3.3 percent. Oil production is also anticipated to improve to 1.0 percent with the resumption of investment by the largest producers and conclusion of negotiations on new conventions related to tax concessions.

- Subdued average headline inflation, projected at 2.1 percent in 2021, is expected to rise to 2.7 percent in 2022 in line with increased economic activity. Pressures on food inflation in 2021H1 from import shortages related to supply chain disruptions appear to have subsided.

5. Substantial external vulnerabilities persist. Pressures are increasing owing to financial outflows related to public sector debt service to external private and official creditors (¶10) and to public and private sector debt service to regional commercial banks. In addition, the overall current account balance is expected to deteriorate from 13.4 percent of GDP in 2021 to 5.5 percent of GDP in 2022. This is largely due to rising imports in line with improved non-oil private sector activity and increased health care and other development spending by the government. Non-oil exports and net oil exports remain broadly stable—with high oil prices in 2021 more than offsetting the impact on exports from reduced oil production, and higher oil production in 2022 offsetting the impact from slightly lower oil prices.

6. Increased pandemic-related and development spending widened the 2021 non-oil primary deficit while the primary fiscal balance benefited from higher oil revenues. The non-oil primary deficit is projected to widen by 2 percent of non-oil GDP relative to 2020 (by 1.3 percent of non-oil GDP relative to the 2021 budget) largely owing to unanticipated pandemic-related goods and services spending and stepped-up domestic capital spending in 2021H2, including for post-flood school reconstruction (Text Table 2). Oil-related transfers[1] to the refinery (Congolaise de Raffinage, CORAF) and to the electric company (Centrale Electrique du Congo, CEC) were reduced slightly as reforms of these state-owned enterprises (SOEs) initiated in 2019 continue. Improved non-oil revenues—supported by gradual increases in non-oil economic activity and revenue-enhancing measures adopted over the past two years (e.g., electronic payments and a broadening of the tax base)—only partially compensated for reduced grants. Substantial domestic arrears were also repaid drawing on domestic financing in the absence of budget support from development partners. Application of the remaining portion of the 2009 SDR allocation and extension of the G-20 Debt Service Suspension Initiative (DSSI) through 2021 helped reduced near-term liquidity pressures.

Text Table 2. Republic of Congo: Fiscal Performance, 2020–21

(Percent of non-oil GDP)

	2020	2021		2020 H1	2021H1
	Prel.	Rev. Budget	Proj.	Est.	Prel.
Total revenue and grants	31.1	36.2	38.2	15.2	15.3
Revenue	28.8	35.9	36.8	14.3	15.3
Oil revenue	15.3	21.7	22.9	7.8	8.8
Non-oil revenue	13.4	14.1	13.9	6.5	6.6
Grants	2.3	0.3	1.4	0.9	0.0
Expenditure and net lending	32.8	33.2	36.0	16.7	15.7
Current expenditure	27.8	27.0	31.0	14.3	14.0
Wages	8.3	8.5	8.5	4.0	3.8
Goods and services	3.7	3.3	5.2	2.4	2.7
Transfers	11.2	9.9	11.0	5.4	4.2
Interest	1.9	3.0	3.5	0.7	1.9
Other	2.8	2.4	2.8	1.7	1.4
Capital expenditure	5.0	6.2	5.0	2.4	1.7
Domestically-financed	2.8	3.4	3.0	1.4	1.6
Externally-financed	2.2	2.8	2.0	1.0	0.1
Non-oil primary balance	-15.2	-15.8	-17.1	-8.4	-7.2
Primary balance	0.2	6.0	5.7	-0.7	1.5
Overall balance, cash basis	-1.0	3.0	2.2	-1.1	-0.3

Sources: Congolese authorities; and IMF staff estimates.

7. **Improvements in banking system solvency and liquidity are reducing vulnerabilities.** Non-performing loans (NPLs) declined from 18 to 17 percent between end-2020 and end-June 2021 (Table 6) owing to arrears payments outweighing the effects of economic contraction. Arrears' payments and deposit growth improved banks' liquidity but year-on-year private sector credit growth is still projected at 0.6 percent in 2021 due to low credit demand. The capital adequacy ratio increased from 19 percent at end-2020 to 22 percent at end-June 2021 reflecting improved risk-weighted assets and positive trends in credit and deposits. Restructuring plans are being considered for two weak banks.

8. **Over the medium term, average growth of 3.2 percent will be supported by reforms initiated during the previous and proposed ECF arrangements—enabling a measured reduction in fragility through increased per capita GDP and reduced poverty and inequality (Text Figure 1).**

- Non-oil economic growth (averaging 4.2 percent during 2023–26) is expected to benefit from gradual economic diversification and increased resilience to climate change. To this end, the government will (i) step-up spending on education, health care, and resilient infrastructure—including through increased social assistance and domestically- and externally-financed capital spending (¶10–12); and (ii) implement structural reforms (governance, financial, business environment, digitalization) that complement improved public infrastructure and services, which all aim to support growth in inclusive non-oil

[1] Oil-related transfers are mainly payments to state-owned enterprises, such as CEC, for oil input purchases.

private sector activity (¶16–18). These reforms are also expected to boost the on-going expansion of mining, agriculture, and services. The impact of fiscal consolidation is anticipated to be limited, owing to the strategic reprioritization of spending and lower fiscal deficits freeing banking system financing for private sector credit.

- Oil production growth (averaging 0.9 percent during 2023–26) will peak at 125 million barrels in 2024, supported by modest new investments given reduced long-term global oil demand.
- The current account balance is anticipated to shift from a surplus to a deficit (averaging -2.3 percent of GDP during 2023–26), driven by strong import growth associated with oil (up to 2024) and non-oil investment, which will be partially offset by a gradual improvement in non-oil exports owing to economic diversification. Projected current account deficits are expected to be financed by increases in FDI and external project support—both catalyzed by the proposed ECF arrangement.
- Average inflation is expected to settle at 3 percent from 2023 onwards (consistent with CEMAC inflation targets). Pressures from increased consumption and investment will be offset by supply-side expansion of the non-oil economy.

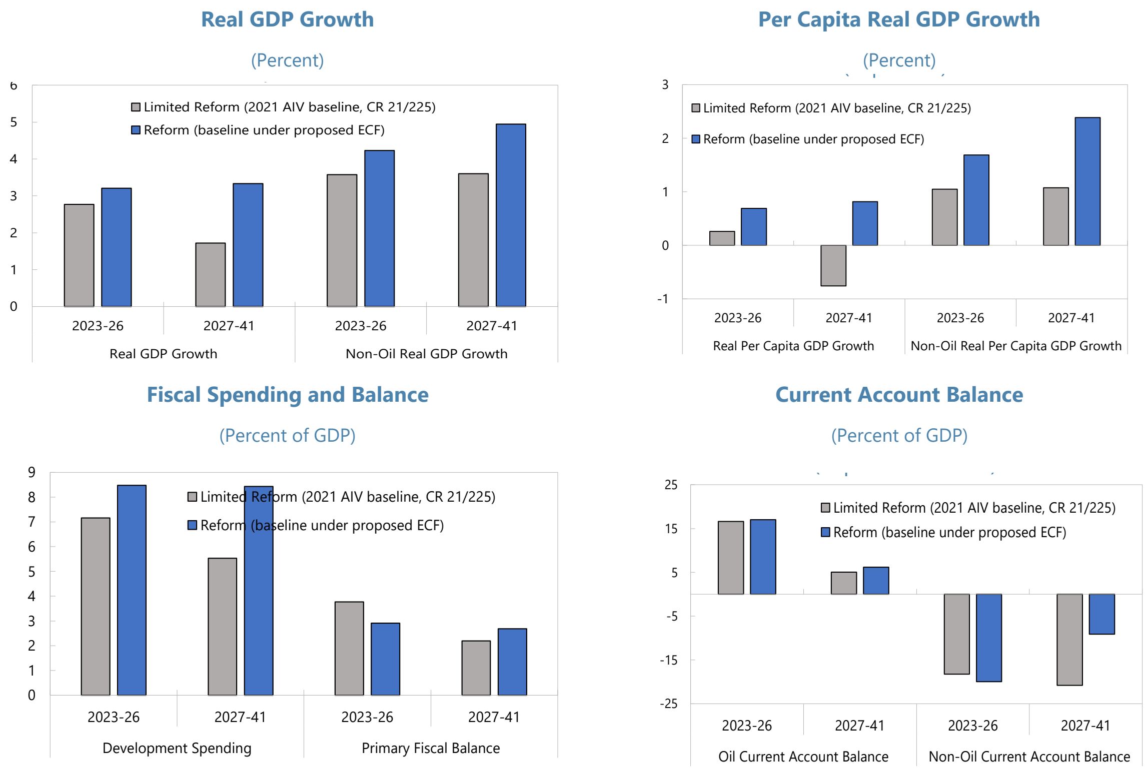
9. Risks are tilted to the downside (Annex II)

- Near-term non-oil growth could be set back by slower than anticipated vaccine rollout—due to hesitant populations and weaknesses in medical infrastructure—uncertainties over vaccine resistance to variants, and another round of strict lockdowns. Fiscal pressures from increased health and social assistance spending would be largely offset by reduced capital and non-essential goods and services spending.
- Medium-term non-oil growth and the authorities' ability to implement fiscal policies will depend on successful reform implementation, domestic arrears payments, oil sector developments, quelling of the pandemic, and continued socio-political stability. Adverse weather conditions could weigh on agricultural production, raising food insecurity and inflationary pressures.
- Oil revenue prospects depend on oil prices—where global oil market volatility is amplified by the pandemic and transition to a low-carbon global economy—production risks, and the government's success in phasing out historical tax concessions to oil producers (¶4, 11). The sensitivity of debt sustainability to oil prices will decline as external debt is repaid (¶10).
- Access to regional (CEMAC banking system) financing by the government that exceeds the current baseline projections (to fill higher fiscal gaps) could be limited in light of BEAC's recent measures to tighten liquidity (CEMAC staff report discussed by the Board in December 2021).

- On the upside, accelerated reform implementation—supported by development partners—could boost private investment; and higher metal prices could increase mining investments.

Text Figure 1. Comparison of Projections: Proposed ECF Arrangement and 2021 Article IV

Development partner financing will support reforms aimed at economic diversification and resilience-building while safeguarding debt sustainability (baseline supported by the ECF arrangement). Absent this support, a commitment to debt sustainability combined with substantial reductions in oil production will weigh on long-term growth prospects (as shown in the baseline for the 2021 AIV consultation).



Sources: Congolese authorities; and IMF staff calculations

PROGRAM OBJECTIVES AND KEY ELEMENTS

The proposed ECF arrangement aims to meet (i) an immediate balance of payments need as the country seeks to maintain macroeconomic stability during a fragile recovery; and (ii) a protracted balance of payments need tied to the economic transformation—based on the authorities' National Development Plan (NDP) 2022-26, which is centered around economic diversification and resilience to climate change—needed to reduce fragilities and place Congo onto a path of higher, more resilient, and inclusive growth. The arrangement would also (i) help catalyze development partner financing; (ii) be supported by regional CEMAC efforts to maintain an appropriate monetary policy stance and *promote financial sector stability; and (iii) contribute to the CEMAC's regional stability efforts by accumulating one fifth of the region's projected NFA during 2022–24.*

Key measures of the proposed ECF arrangement include: (i) increased social spending and critical infrastructure investment while undertaking fiscal consolidation (through revenue mobilization and expenditure reprioritization); (ii) significant repayments of external debt and external and domestic arrears (using oil windfalls); (iii) strengthening of public investment and debt management, which combined with fiscal consolidation and repayment of debt and arrears, will reduce debt vulnerabilities; and (iv) governance, transparency, and supply-side structural reforms promoting green non-oil economic growth.

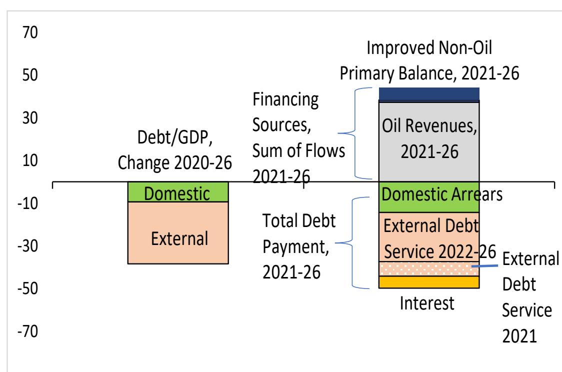
A. Fiscal Policy

10. Fiscal policy will support higher, more resilient, and inclusive growth while safeguarding debt sustainability (see Debt Sustainability Analysis, DSA). To this end:

- During 2022–26, there will be a strategic reprioritization of spending. While non-interest spending (as a percent of non-oil GDP) will remain broadly constant, the share of spending on social assistance, health care, education, and other development needs will be increased by at least 10 percentage points and the share of oil-related transfers will be substantially reduced. Following the post-pandemic recovery of non-oil revenues in 2022 (in line with significantly improved non-oil growth) and gradual improvements in non-oil revenues and grants thereafter, the non-oil primary balance is expected to improve by 4 percent of non-oil GDP (or 1 percent of GDP) between 2021 and 2026.

- Medium-term fiscal consolidation (see bullet above) combined with significant oil revenues—driving positive overall primary balances—will permit repayment of external debt and domestic arrears owed to the businesses and individuals. Public debt is anticipated to decline from 110 to 72 percent of GDP during 2020–26 (Text Figure 2).[2]

Text Figure 2. Republic of Congo: Debt Flows and Financing, 2021–26



Sources: Congolese authorities' data and IMF staff projections.

- Risks, including from negative oil price shocks, are largely mitigated by repayments to the largest external commercial creditor being tied to oil prices, a gradual increase of government deposits at

[2] Revised debt statistics (owing to improved capacity) have raised the 2020 debt stock by 9 percent of GDP relative to IMF Country Report 21/225.

BEAC, the availability of financing from Congolese financial markets, and access to the CEMAC regional financial markets (within limits ¶9).

- The authorities are committed to avoiding accumulation of new domestic or external arrears (Table 12) and are actively negotiating the resolution of pending external arrears (¶27). Until this process and interrupted negotiations with one external commercial creditor is officially concluded, debt is classified as being "in debt distress".

11. The 2022 budget, adopted by Parliament in mid-December 2021, actively pursues the fiscal policy objectives outlined above (MEFP ¶11–12). The 2022 non-oil primary deficit is projected at 15.7 percent of non-oil GDP. This represents a 1.4 percentage point reduction in the deficit relative to 2021 owing to higher revenues (¶10) while spending has been reoriented in support of development objectives. The full 2021 SDR allocation, the proposed ECF arrangement, and support from other development partners will help finance part of the budgeted social spending. Use of the SDR allocation will be monitored and reported on during future reviews.

- In addition to improved economic activity, revenues are expected to benefit from increased collection of tax arrears, a gradual phasing-out of pandemic-related deferral of tax and duty payments—although the reduced turnover tax rate (from 7 to 5 percent for turnover under CFAF 100 million) will be maintained as a measure to support small businesses—broadening of the property tax base, reduced customs duty exemptions, and continued implementation of the previously initiated revenue and customs administration measures (Text Table 3). Revenue gains are also expected from the conclusion in 2022Q2 of negotiations with oil producers on tax concessions.

- Pandemic-related spending will be prioritized but emphasis will also be placed on improving the quality and coverage of health care—including introduction of a health insurance system—and education and advancing agriculture, roads, and electricity. Relative to 2021, increased social assistance (0.2 percent of non-oil GDP)—through expanding beneficiaries of the Lisungi program and improved targeting owing to application of the Single Social Register—and capital spending (2.3 percent of non-oil GDP). Fiscal space for this spending is gained from controlling the wage bill, reorientation of goods and services spending, and significant streamlining of transfers and subsidies—including to inefficient SOEs such as CORAF and CEC.

- To support social spending and private sector activity—and more broadly economic and political confidence—the budget also foresees repayment of domestic arrears (4.3 percent of non-oil GDP), beginning with those to pensioners and small businesses. Domestic arrears payments will depend on the availability of finances, where the bulk of these arrears are planned to be paid in 2022H2.

Text Table 3. Republic of Congo: 2022 Budget: Yields from Key Revenue and Spending Measures during 2022–26

Fiscal Measures	Estimated Yield (percent non-oil GDP), 2022-26	Amount Included in Projections (percent non-oil GDP), 2022-26	Details
Revenue			
Increase collection of tax arrears	3.1	0.5	Recovery over three years of 40 percent of CFA 361.873 bn (total tax arrears assessed as of August 25 2020), averaging about one percent of non-oil GDP per year--with slightly front-loaded collection expected in this post-election year. To be conservative, the current revenue projections include only 0.5 out of 3.1 percent of non-oil GDP in yields.
Phasing out pandemic-related deferral of tax and duty payments	0.4	0.4	Assume 0.3 percent of non-oil GDP can be collected in pandemic-related deferred direct taxes; and 0.1 percent of non-oil GDP in pandemic-related deferred VAT. The majority would be collected in 2022 and any remaining amounts collected in 2023.
Continuing tax policies and revenue administration reforms adopted since 2019	2.0	2.0	Key measures cover e-tax declaration and payment, higher excises in line with CEMAC guidelines, gradual phasing out of CIT exemptions for violating investment conventions, and increased taxes on certain non-petroleum exports. Projected yields (in percent non-oil GDP) during 2022-26 from reforms are (i) 1 percent for direct taxes; (ii) 0.3 percent for VAT; and (iii) 0.7 percent for customs administration.
Conclude on-going negotiations with oil producers on new conventions for tax concessions	0.2	0.1	The authorities continue to negotiate new conventions for tax concessions with large oil producers. Expectations are for a yield of at least 0.2 percent of non-oil GDP over the medium-term. To be conservative, a quarter of this yield is included in the projections--which rounds to 0.1 percent of non-oil GDP.
Other	0.6	0.1	An expanded tax base for land tax is expected to yield 0.2 percent of non-oil GDP. Reduced customs exemptions for some beneficiaries and eliminating exemptions for others is expected to yield 0.4 percent of non-oil GDP. To be conservative, a quarter of the total yield is included in the projections.
Expenditure			
Continued rationalization of transfers and subsidies to inefficient SOEs	0.8	0.8	Oil-related transfers decline from 2 to 1.2 percent of non-oil GDP between 2021 and 2026.
Total Fiscal Yields	7.1	3.8	

Sources Congolese authorities' data and IMF staff projections.

12. The authorities' medium-term fiscal strategy, supported by the proposed ECF arrangement, aims to advance the NDP 2022–26 while mobilizing revenues. This will permit a reduction of the non-oil primary deficit from 17.1 to 13.3 percent of non-oil GDP during 2021–26—mainly based on a continuation of the measures adopted in the 2022 Budget and the following key measures (MEFP ¶13–14):

- Increased collection of tax arrears, beginning by taking their inventory and assessing the probability of their recovery (proposed structural benchmark (SB) for end-2022).
- Removing some VAT exemptions (1 percent of non-oil GDP) and streamlining other tax expenditures (3 percent of non-oil GDP)—neither of these are included in the current projections. In addition, corporate tax exemptions under current investment conventions will also be phased out by end-2023.

- Application of the enterprise census to broaden the tax base and customs reforms (supported by the World Bank)—neither of these are included in the current projections—in addition to a continuation of the reforms initiated during 2019–22.

- Continued implementation of established reforms to reduce transfers and subsidies and improving the transparency of SOE operations while increasing social and infrastructure spending.

- Full repayment of domestic arrears to businesses and individuals by 2031. The current stock is projected to be about 30 percent of non-oil GDP by end-2022, including projections of arrears arising from audits of government finances during 2019-20 (expected completion by early-2022). Social sector arrears will be repaid in full but a haircut of possibly 60-70 percent will be applied to commercial arrears from 2023—this plan is still being developed.

- Revenue shortfalls, including in oil revenues, will be compensated by slowing domestic arrears payments. Conversely, for oil revenues or net external assistance that exceed expectations, half of the surplus will be used to strengthen government deposits at the BEAC (as a buffer against shocks); and the rest will be applied toward social spending, domestic arrears payments, and compensating for any possible shortfalls or delays of external financing.

- An expanded analysis of public sector finances (including SOEs, PPPs, and publicly-owned banks) that will enrich the authorities' understanding of medium-term fiscal risks and vulnerabilities and facilitate monitoring.

B. Strengthening Public Investment and Debt Management

13. Improving the quality of public investment management will be crucial to avoiding new arrears and enhancing the efficiency and effectiveness of spending (MEFP ¶15). Procurement of projects that are not in the budget will be stopped. To this end, the authorities will (i) develop a template for public procurement plans (proposed SB end-June 2022); and (ii) roll out the template to ministries during 2022Q3 and map it to the 2023 budget (proposed SB end-2022). Supported by IMF TA and training, project planning methods will be systematized—beginning with a medium-term public investment plan prioritizing projects based on the criteria which include cost-benefit analysis, development (SDG) priorities, and the NDP 2022–26. Measures will be taken to improve implementation efficiency, especially given large infrastructure needs. For example, an action plan will be developed based on the results of a recent World Bank survey on the efficiency of public investment.

14. Prudent debt management will enhance debt sustainability (MEFP ¶16). A comprehensive medium-term debt management strategy will be developed (proposed SB end-July 2022)—aiming to reduce financing costs, contain debt-related risks, and support development of the domestic government securities market—and will be accompanied by including a borrowing plan in the published budget from 2023. To operationalize this strategy (i) a single debt database extending to all public debt will be established; and (ii) reliability and transparency of public debt information will be improved, including with quarterly data publication and increased coordination and information sharing across relevant agencies. All new external financing will be concessional, except the low-interest and extended maturity budget support loans from the World Bank; and debt cannot be guaranteed with future natural resource deliveries. To reduce debt vulnerabilities, the authorities are continuing debt restructuring negotiations with a large external commercial creditor (¶27).

15. Sequenced energy sector reforms will be critical to reducing contingent liabilities from energy sector SOEs, mobilizing revenues, rationalizing spending, and improving governance (MEFP ¶18–20).

- An international audit firm is being engaged to reconcile realized government oil revenues during 2021 against provisions under production sharing agreements. The resulting report and a table with all mining, forestry, and oil concessions holders will be published on the government's website (proposed SB end-June 2022). Audits of costs incurred by oil companies related to production sharing agreements will continue.

- A comprehensive review of the oil sector's fiscal regime and action plan will be completed by end-2022, including estimations of revenue gains from eliminating reduced VAT rates for imports related to agreed investment conventions and improved VAT implementation and base broadening on refined petroleum products.

- Transfers to CORAF and CEC will be further reduced in 2022, where (i) the current performance contract with CORAF aims to reduce its costs and increase transparency in revenue management; (ii) transfers to CEC are conditioned on its realized earnings and expenses; and (iii) audit reports of these companies are regularly published.

- An action plan will be developed to further reduce transfers and subsidies. Key elements will include (i) an assessment of energy production costs; (ii) improving the electricity billing process and coverage to reflect actual electricity consumption with a view to recovering production costs; (iii) implementing the 2005 price-based regulatory framework for fuel prices (IMF Country Report No. 20/27) and ensuring sufficient social assistance to mitigate the impact on vulnerable groups; and (iii) enforcing full payment by CORAF for its oil purchases from the government and full payment of dividends by large SOEs such as the Société Nationale des Pétroles du Congo (SNPC).

C. Advancing Governance, Transparency, and Broader Structural Reforms

16. Public Financial Management (PFM) reforms are supporting governance and transparency (MEFP ¶21–22). Operationalizing a more sophisticated financial management information system (SIGFIP) is critical to improving transparency of public expenditure commitments, control of public oil and non-oil revenues, avoiding domestic arrears, and enhanced program monitoring. This will be done in two phases to ensure adequate infrastructure, training, and linking of IT systems (customs, tax authorities, and Treasury): the budget preparation and execution modules (end-2021) and then the remaining modules (end-2022 proposed SB). To improve budget execution, a committee will monitor and coordinate the cashflow plan against the commitment and treasury plans and a new organizational chart will be adopted by the Ministry of Finance. By early 2022, the TSA architecture will be enhanced through improved cash management, ensuring automatic transfer of natural resource sales revenue from public entities to the TSA, and continued closure of central government and public entity accounts in commercial banks. A new medium-term strategy for PFM reforms with a comprehensive 3-year action plan, updated every 18 months, will provide a roadmap for further reforms (end-March 2022 proposed SB). A legal and regulatory framework for public private partnerships (PPPs) consistent with international best practice will be developed by end-2022.

17. Despite not having received emergency pandemic financing from the IMF, the government is committed to demonstrating transparency in the procurement of pandemic-related resources (MEFP ¶23). The following will be published on the government website: (i) pandemic-related procurement contracts (with names and nationalities of beneficial owners of awarded legal persons); (ii) ex-post reports on the delivery of pandemic-related procurement; and (iii) an audit by a third-party international audit company of all pandemic-related procurement and expenditure between during 2020–21 (end-June 2022 proposed SB)—agreeing the terms of reference for this audit and publishing the tender is a prior action (PA).

18. Maintaining momentum in anti-corruption reforms will be critical to improving governance and the business environment (MEFP ¶24–28).

- Over the past two years, progress has been achieved in establishing an anti-corruption architecture that is better aligned with international standards. A key part of this process is submitting the new anti-corruption law (drafted in consultation with the IMF) to Parliament (PA); and its approval by Parliament accompanied by a decree clarifying conflict of interest rules and procedures (proposed SB end-March 2022). The organic law for the Court of Auditors and Budgetary Discipline (CABD)—which will regulate the existing CABD's organization, functioning, and powers to help fulfill its independent external auditing function—is expected to be adopted by Parliament in March 2022.

- The next step will be operationalizing this architecture with consistent implementation. To this end, the new Commissions on Transparency and Anti-Corruption must receive adequate financing (from the budget and development partners) to carry out their mandates—including publication on the government website of all reports and statistics under their purview. The asset disclosure law will be revised, in consultation with the IMF, to better align with international best practices. Information on the functioning of law enforcement institutions and the reports of the Inspection General of Finance and the National Accounts Commission will be published on the government website. Publication of the 2019 report of performance under the Extractive Industries Transparency Initiative (EITI) is a PA.

- To inform future reform efforts, the authorities will assess progress in implementation of the recommendations from the 2018 diagnostic report on governance and corruption that was prepared in consultation with the IMF.

19. Strengthening the financial sector will play a key role in ensuring a healthy recovery from the pandemic, including greater economic diversification (MEFP ¶30). A road map to raise financial inclusion will be developed in collaboration with BEAC and COBAC. The legal and judicial systems' ability to address financial litigation will be further strengthened. Financial stability will continue to be supported by close monitoring of the banking system and continued clearance of domestic arrears (¶6,11) which will facilitate further NPL reductions.

20. More broadly, the proposed ECF arrangement will support the authorities' NDP 2022-26 and initiatives of other international and regional institutions on broader structural reforms (MEFP ¶29). This includes reforms based on the CEMAC Economic and Financial Program; and reforms supported by development partners, such as the World Bank, to improve the business environment, external competitiveness (e.g., contract enforcement, insolvency procedures, and investor protection), rural electrification using solar and wind power, and digitalization (see IMF Country Report 21/225).

PROGRAM MODALITIES AND OTHER ISSUES

21. The authorities have requested a 36-month arrangement under the Extended Credit Facility (ECF) for the amount of SDR 324.0 million (200 percent of quota) to address immediate and protracted balance of payments needs, totaling $1.1 billion (¶3, Table 4, Text Table 4). Outstanding credit would remain within normal limits, peaking at 220 percent of quota; SDR 32.40 million (20 percent of quota) was outstanding as of October 31, 2021. The entire amount will be provided to the budget as Congo has both fiscal (Tables 2, 3, and 7) and balance of payments needs. The first three disbursements under the ECF arrangement are proposed at 40 percent of quota each, based on the strength of the program and to support immediate financing needs as the country seeks to maintain macroeconomic stability during a fragile recovery from the pandemic. Concurrently, development partners will prepare to begin disbursing in 2022H (¶22). The remaining disbursements, 20 percent of quota each, would support more protracted needs, that will be gradually reduced through structural reforms.

22. Fund financing will help catalyze development partner support. Access under the proposed ECF arrangement will cover 44 percent of the projected external financing gap over 2022–24 and 24 percent of total financing from development partners. The remainder of the financing gap would be filled by other development partners (the African Development Bank, France, and the World Bank), for which firm commitments are in place for the upcoming 12-month period. Good prospects for full program financing exist for the remainder of the program period.

Text Table 4. Republic of Congo: Financing Needs and Sources, 2022–26
(Millions of U.S. dollars unless otherwise indicated)

	2022	2023	2024	2025	2026
Financing Needs	**8140**	**7945**	**8323**	**7647**	**7044**
Current Account Deficit (excl. grants and oil exports)	5924	6417	7158	7201	6706
Amortization of PPG External Debt	852	716	650	633	308
Other net financial flows	927	454	272	-366	-302
Net Change in Reserves, excluding SDR drawdown	438	358	243	178	333
Financing Sources	**7730**	**7538**	**8059**	**7647**	**7044**
Oil Exports	6639	6435	6930	6533	5973
Grants	28	28	83	105	116
Other Transfers	67	185	148	40	46
Project Loans (disbursement)	262	297	312	323	291
FDI	610	712	705	679	651
Use of SDR Allocation	221	0	0	0	0
Exceptional Financing	-96	-119	-119	-33	-33
DSSI	-96	-119	-119	-33	-33
Financing Gap[2]	411	407	264	0	0
Budget Support[1]	130	312	168	0	0
Prospective IMF ECF	281	95	95	0	0
Residual Gap	0	0	0	0	0
Memo items:					
Prospective IMF ECF					
(in percent of total donor inflows)	34	15	18	…	…
(in percent of budget support and prospective ECF financing)	68	23	36	…	…

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.

23. **Monitoring of program performance.** Program performance will be monitored through semi-annual program reviews based on periodic and continuous quantitative performance criteria (Table 12) and structural benchmarks (Table 13). All prior actions (Table 14) have been completed. Congo's large debt vulnerabilities will be addressed by setting conditionality on debt—including contracting of concessional and non-concessional debt, external debt, and accumulation of new external arrears. This conditionality is on a nominal basis owing to lack of capacity to record, monitor and report debt related statistics and will complement fiscal conditionality, which, also due to data constraints, is limited to the central government.

24. **Congo's capacity to repay the Fund is assessed to be adequate but subject to significant risks (Figure 2, Table 10).** Under the baseline, total Fund credit outstanding (based on existing and prospective drawings) peaks at 220 percent of quota (SDR 356.4 million) and 3.5 percent of GDP in 2024, above the top quartile of past Fund UCT-quality arrangements for

LICs. Debt service to the Fund peaks at 0.5 percent of GDP and 1.9 percent of revenue (excluding grants) in 2029 and 23.9 percent of total external debt service in 2030, above the top quartile of past Fund UCT-quality arrangements for LICs. The IMF's share of total external debt remains below 10 percent (Text Table 5). The most significant downside risk (among key risks in ¶9) is a substantial decline in oil prices that could trigger debt sustainability challenges. Risks are mitigated by the authorities' strong track record of repaying the Fund, past implementation of nine Fund-supported programs, and policy measures envisaged in the program (including proposed SBs on debt management). The authorities' implementation capacity is good as demonstrated by recent fiscal discipline (including during the pandemic) and implementation of structural reforms even when the previous ECF arrangement went off-track, largely due to delays in the finalization of the authorities' debt restructuring strategy. The authorities' capacity development strategy (IMF Country Report 21/225) and post-election reform mandate will support continued progress in implementation capacity.

Text Table 5. 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	**2597**	**2682**	**2687**	**2469**	**2586**	**2707**	**2806**	**2853**	**2883**	**2905**	**2915**
Multilateral	1479	1951	2319	2469	2586	2707	2806	2853	2883	2905	2915
IMF	331	430	530	524	523	490	472	450	445	440	435
Non-IMF	1148	1522	1790	1945	2063	2217	2334	2404	2438	2465	2480
Private Collateralized Debt (Oil-prepurchased)	1119	731	368	0	0	0	0	0	0	0	0
Non-Senior Debt	**3610**	**3481**	**3369**	**3267**	**3171**	**3017**	**2912**	**2854**	**2822**	**2785**	**2747**
Official bilateral	2676	2661	2635	2615	2636	2602	2570	2543	2512	2474	2436
Paris Club	460	498	525	550	575	548	527	515	504	488	468
Brazil	28	9	0	0	0	0	0	0	0	0	0
Belgium	122	91	60	44	27	10	0	0	0	0	0
France	282	376	446	491	535	529	520	511	500	484	465
Russia	25	22	19	16	13	10	7	4	4	4	4
Switzerland	3	0	0	0	0	0	0	0	0	0	0
Non-Paris Club	2216	2163	2110	2065	2061	2054	2043	2028	2008	1986	1967
China	1840	1813	1788	1761	1773	1775	1772	1764	1751	1733	1717
India	81	68	55	45	39	33	28	23	18	16	16
Kuwait	56	57	58	58	57	55	53	51	48	46	44
Turkey	56	39	22	12	1	0	0	0	0	0	0
Pre-HIPC arrears (not restructured)	183	185	187	188	190	191	191	191	191	191	191
Private Creditors	**934**	**820**	**734**	**652**	**535**	**414**	**342**	**311**	**311**	**311**	**311**
Chinese companies	243	196	148	100	51	0	0	0	0	0	0
London Club (eurobond)	219	194	169	138	103	67	31	0	0	0	0
Afreximbank	54	13	0	0	0	0	0	0	0	0	0
Suppliers	418	417	416	414	381	347	311	311	311	311	311
Total	**6207**	**6163**	**6056**	**5736**	**5758**	**5724**	**5718**	**5707**	**5705**	**5690**	**5661**
o/w Multilateral	1479	1951	2319	2469	2586	2707	2806	2853	2883	2905	2915
o/w Official Bilateral	2676	2661	2635	2615	2636	2602	2570	2543	2512	2474	2436
o/w Private	2053	1551	1101	652	535	414	342	311	311	311	311
Shares											
IMF (in percent of Multilateral)	22.4	22.0	22.8	21.2	20.2	18.1	16.8	15.8	15.4	15.1	14.9
IMF (in percent Total)	5.3	7.0	8.7	9.1	9.1	8.6	8.3	7.9	7.8	7.7	7.7
Multilateral (in percent Total)	23.8	31.7	38.3	43.0	44.9	47.3	49.1	50.0	50.5	51.1	51.5
Official (in percent Total)	43.1	43.2	43.5	45.6	45.8	45.5	45.0	44.6	44.0	43.5	43.0
Private (in percent Total)	15.0	13.3	12.1	11.4	9.3	7.2	6.0	5.4	5.4	5.5	5.5

Sources: Authorities; and IMF staff estimates.

25. Safeguards Assessment. BEAC has implemented most recommendations from the 2017 safeguards assessment, and an update assessment has been initiated, under the four-year cycle for safeguards assessments of regional central banks.

26. Regional assurances. BEAC has provided updated policy assurances in support of CEMAC countries' Fund-supported programs. In its follow-up letter of policy support of November 2021, BEAC reiterated its commitment to maintaining an appropriate monetary policy stance, together with member states implementing fiscal adjustment agreed in the context of IMF-supported programs, to support external reserves build-up. As part of corrective actions to support the reserve position, it has (i) raised the policy rate (TIAO) and marginal lending facility by 25 basis points at an extraordinary MPC meeting in late November; (ii) increased the interest rate on the liquidity absorption window by 30 basis points to reduce the excess liquidity, stimulate the interbank market, and improve monetary policy transmission; and (iii) reduced weekly liquidity injections from CFAF 250 billion to CFAF 230 billion. BEAC will also continue to work towards effective application of the foreign exchange regulation, including by implementing the recently agreed adaptations for the extractive sector from 2022. The regional assurances on regional NFA are critical for the success of Congo's Fund-supported program and will help bolster the region's external sustainability.

27. External arrears.

- During 2020–21, $386 million of debt service and arrears payments were covered under the DSSI provided by Belgium, Brazil, China, France, India, Kuwait, Turkey, and Saudi Arabia. Recently, an agreement was concluded on arrears payments to Switzerland. Agreements have been reached, with signatures expected shortly, on arrears payments to Belgium (not covered under the DSSI amounts above), India (for arrears not covered by the DSSI), Libya, and Russia. The authorities are exploring ways to prevent reoccurrence of external official arrears, including by setting up a dedicated sub-account within the single treasury account at BEAC.

- Debt restructuring discussions with a large external commercial creditor are still underway—including a meeting in Fall 2021—where arrears have been accumulated as part of the negotiations. The authorities are also discussing the resolution of arrears owed to Chinese companies ($120 million) and across 10 suppliers ($21 million), and are considered to be engaged in good faith efforts to reach agreements with all of these creditors.

- The authorities contest $293 million of arrears owed to a supplier as part of a broader litigation case;[3] and another $102 million of pre-HIPC arrears for which the authorities have requested HIPC treatment.

- Financing assurances reviews will be conducted at each review of the ECF arrangement until external commercial arrears are cleared.

[3] 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.

28. Statistical issues. Data provision is broadly adequate for surveillance but there are shortcomings in national accounts, monetary, fiscal, external sector statistics, debt management, and high-frequency data. Staff encouraged the authorities to implement Fund technical assistance advice and to seek technical assistance in areas where Congo lacks the capacity to provide certain data.

29. Capacity development activities, driven by the authorities' policy objectives, include tax policy and administration, PFM reforms, debt management; statistics in the real and external sectors; and governance reforms to strengthen the anti-corruption framework and its operationalization. Congo is a medium-intensity user of Fund TA with a mixed implementation record.

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30. The authorities have implemented considerable reforms over the past two years (IMF Country Report 21/225), despite facing the pandemic and volatile oil prices and production. Macroeconomic stability was maintained. Debt restructuring, including debt service to the largest external commercial creditor being tied to oil prices, has helped restore debt sustainability and contributed to reduced debt vulnerabilities from lower oil prices. Reforms initiated in 2019—covering tax policy and tax administration, as well as reduced transfers and subsidies to inefficient SOEs (especially CORAF and CEC)—have been steadily carried forward and are yielding tangible results. The Commissions on Anti-Corruption and Transparency were operationalized and good progress was made toward a new anti-corruption Law. PFM reforms also advanced, including closure of some central government accounts in commercial banks. A recently published 2018 report indicates significant progress under the EITI.

31. Maintaining this reform momentum and broadening its scope will be key to a recovery based on higher, more inclusive, and resilient growth that would facilitate exiting fragility. A new wave of the pandemic is creating headwinds for the nascent economic recovery, against a backdrop of large debt-related liquidity risks and vulnerabilities. Over the medium term, challenges from climate change and the global transition to low-carbon economies loom. Tackling these near- and medium-term challenges will require a multi-pronged approach—centered around economic diversification and resilience-building—with reforms in fiscal policies, core PFM, public investment and debt management, the energy sector, governance, transparency, anti-corruption, and broader structural reforms.

32. Fiscal policy will need to balance stepping up growth-enhancing spending while safeguarding debt sustainability. Strategically reprioritizing spending towards boosting social and infrastructure spending will be critical to improving inclusiveness and economic diversification. Concurrently, accelerated reform of SOEs—including energy pricing that reflects production costs, coupled with protection for the most vulnerable—will further reduce transfers and subsidies and improve the business environment. In this context, the gradual fiscal consolidation required to maintain debt sustainability will rely on revenue mobilization—especially increasing collection of tax arrears and reducing VAT exemptions and other tax expenditures, with an emphasis on those in the oil sector. By design of several of Congo's external debt contracts, a significant portion of oil revenues will be used to service debt. Using the remain portion to repaying domestic arrears in a transparent manner and build fiscal buffers against future shocks will further strengthen domestic stability and reduce vulnerability to shocks.

33. Improving the effectiveness of public spending, debt management, and the governance of oil revenues should be prioritized. Keeping in mind the country's substantial infrastructure needs, advancing public investment and debt management will be critical. Procurement of projects outside the budget must be stopped, project planning methods systematized—including prioritizing projects based on cost-benefit analysis and development goals—and project implementation efficiency increased. A medium-term debt management strategy, supported by better debt statistics, will help reduce debt costs and vulnerabilities. Natural resource revenues should be automatically transferred to the government's account at BEAC, and external debt guaranteed by future natural resource deliveries should be avoided; and operationalizing a new financial management information system will enhance the government's control over oil and non-oil revenues and raise transparency of spending commitments.

34. Strengthening anti-corruption, transparency, and broader structural reforms will build socio-economic confidence and improve the business environment. To this end, parliamentary approval of the new anti-corruption law, revisions to the asset disclosure law, and operationalizing the new anti-corruption architecture will be critical—some examples of priority actions include publication of various audits relating to public sector finances, the 2019 EITI report, and information on the functioning of law enforcement institutions. Strong enforcement of the new laws combined with improved access to finance and key infrastructure in irrigation, sanitation, and electrification will be fundamental to advancing economic diversification and resilience.

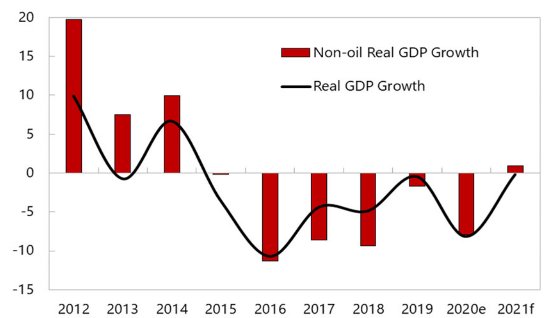
35. Based on the strength of the program, corrective action taken by BEAC, and regional policy assurances established in the December 2021 union-wide paper, staff supports the authorities' request for a 36-month ECF arrangement in the amount of 200 percent of quota. The Fund-supported program will help the authorities respond to the pandemic and its aftermath while strongly engaging them on an ambitious structural reform agenda and catalyzing donors' support to fill the large financing needs. Staff proposes that completion of the first review under the ECF arrangement be conditional on the implementation of critical policy assurances at the union level, as established in the December 2021 union-wide background paper.

Figure 1. Republic of Congo: Recent Economic Developments, 2012–21

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

Real GDP Growth

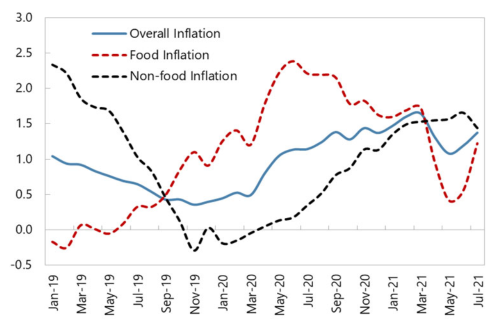
(Percent)



Inflation remains contained, despite rising in 2020 due to pandemic-related supply disruptions and uncertainties.

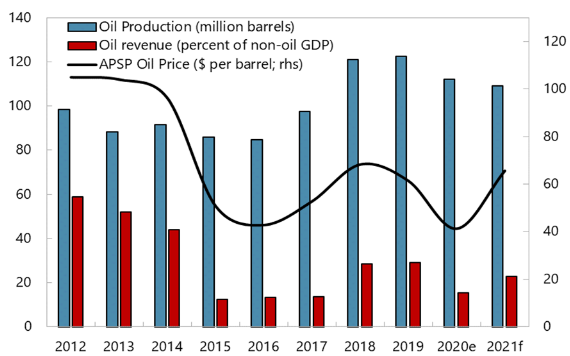
Inflation

(Average y/y % Change)



Oil production is down due to lower investment during the pandemic but high oil prices in 2021 supported recovery in oil revenues…

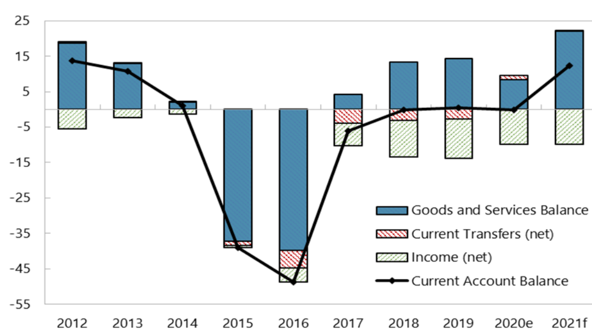
Oil



…and the current account is expected to improve accordingly.

Balance of Payments

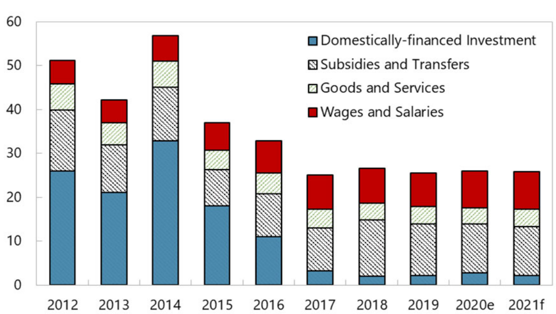
(Percent of GDP)



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

Public Spending

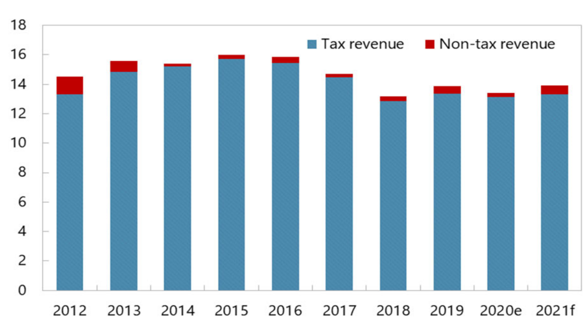
(Percent of Non-oil GDP)



…as have non-oil revenues.

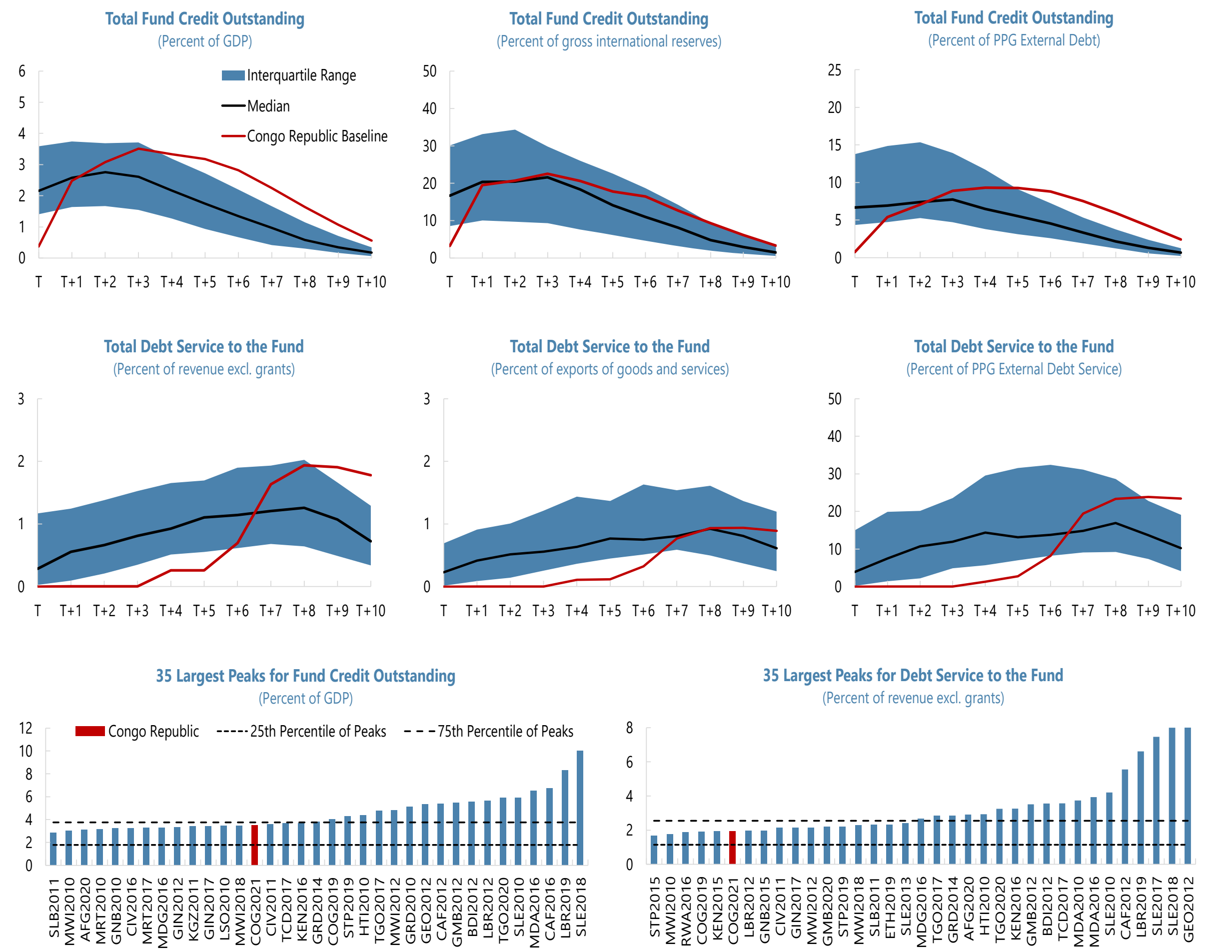
Non-Oil Revenue

(Percent of Non-oil GDP)



Sources: Congolese Authorities and IMF Staff Estimates and Projections

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



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

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

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

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

[4] PPG refers to public and publicly guaranteed.

* For Congo Republic, it refers to non-oil revenue.

** For Congo Republic, it refers to gross imputed official reserves.

Table 1. Republic of Congo: Selected Economic and Financial Indicator, 2020–26

	2020	2021	2021	2022	2023	2024	2025	2026
	Est.	2021 AIV			Proj.			
	(Annual percentage change unless otherwise indicated)							
Production and prices								
GDP at constant prices	-8.1	-0.2	-0.2	2.4	2.9	6.5	2.2	1.2
Oil	-8.5	-2.9	-2.9	1.0	1.5	11.5	-2.4	-7.1
Non-oil	-8.0	0.9	0.9	3.3	3.7	4.0	4.4	4.8
GDP at current prices	-20.8	17.5	17.3	3.3	2.8	6.9	3.1	2.8
GDP deflator	-13.8	17.7	17.5	0.8	-0.1	0.4	0.9	1.5
Non-oil	1.8	2.0	2.0	2.8	3.0	3.0	3.0	3.0
Consumer prices (period average)	1.4	2.0	2.1	2.7	3.0	3.0	3.0	3.0
Consumer prices (end of period)	0.6	2.7	2.8	3.0	3.0	3.0	3.0	3.0
External sector								
Exports, f.o.b.	-36.2	44.2	44.2	0.5	-3.1	5.8	-4.3	-4.9
Imports, f.o.b.	-25.3	14.7	13.2	13.5	6.8	8.8	2.1	0.3
Export volume	-2.2	3.0	4.7	2.5	2.0	6.7	1.5	5.3
Import volume	-19.8	-6.6	-9.9	14.7	10.8	11.1	3.6	-3.0
Terms of trade (deterioration -)	-27.8	17.3	12.0	-0.8	-1.4	1.2	-4.4	-13.1
Current account balance (percent of GDP)	-0.1	12.1	13.4	5.5	0.3	-1.4	-4.0	-4.3
Net foreign assets	-8.0	11.0	5.3	-7.5	32.9	13.7	15.2	23.5
External public debt (percent of GDP)	62.4	49.6	50.1	46.0	43.3	38.7	34.9	33.2
Monetary sector								
Broad money	18.0	32.7	27.2	10.8	10.5	8.3	12.4	14.2
Credit to the private sector	3.5	0.8	0.6	4.1	3.3	4.5	8.0	9.4
	(Percent of GDP)							
Investment and saving								
Gross national saving	22.5	33.5	34.4	29.3	25.2	23.4	21.4	21.7
Gross investment	22.6	21.3	21.0	23.8	24.9	24.8	25.4	26.0
	(Percent of non-oil GDP, unless otherwise indicated)							
Central government finances								
Total revenue	31.1	36.2	38.2	39.8	37.6	37.6	35.4	33.0
Oil revenue	15.3	21.6	22.9	23.2	20.8	20.6	17.9	15.1
Nonoil revenue (including grants)	15.8	14.6	15.3	16.6	16.8	17.0	17.5	17.9
Total expenditure and net lending	32.8	33.8	36.0	35.5	35.6	34.6	34.9	34.1
Current	27.8	28.2	31.0	28.2	28.0	27.2	27.1	26.2
Capital (and net lending)	5.0	5.6	5.0	7.3	7.6	7.4	7.8	7.9
Overall balance (deficit -, payment order basis)	-1.7	2.4	2.2	4.3	2.0	3.0	0.6	-1.1
Overall balance (deficit -, payment order basis, percent of GDP)	-1.2	1.5	1.4	2.7	1.4	2.0	0.4	-0.8
Non-oil primary balance (- = deficit)	-15.2	-17.0	-17.1	-15.7	-15.3	-14.4	-14.4	-13.3
Basic primary fiscal balance (- = deficit)[1]	0.2	4.7	5.7	7.5	5.4	6.2	3.5	1.8
Basic non-oil primary balance (- = deficit) [2]	-15.3	-14.7	-16.5	-12.7	-12.1	-11.3	-11.4	-10.9
Reference fiscal balance (percent of GDP)[3]	2.6	0.4	-0.5	-1.2	-2.7	-1.4	-1.7	-1.9
Primary balance (percent of GDP)	0.1	2.9	3.6	4.8	3.6	4.2	2.5	1.3
Financing gap (in percent of GDP)	0.0	0.0	0.0	3.1	2.9	1.8	0.0	0.0
Total public debt (percent of GDP)[4]	110.1	84.2	93.5	89.3	83.6	74.9	71.9	72.1
	(Percent of total government revenue excluding grants)							
External public debt service	42.0	34.4	29.0	33.4	28.6	24.0	20.3	11.0
	(Billions of CFA francs, unless otherwise indicated)							
Nominal GDP	5,937	6,976	6,962	7,189	7,390	7,899	8,146	8,370
Nominal oil GDP	1,691	2,607	2,593	2,550	2,436	2,591	2,438	2,208
Nominal non-oil GDP	4,245	4,369	4,369	4,639	4,955	5,308	5,708	6,162
Nominal GDP in US$ (millions)	10,329	12,744	12,676	13,235	13,803	14,934	15,568	16,122
Congolese oil price (U.S. dollars per barrel)	39	65	65	64	61	59	57	56
Brent Price (U.S dollars per barrel)	42	67	67	66	63	61	59	58
Oil production (Millions of barrels)	112	109	109	110	112	125	122	113
Nominal Exchange rate (CFA/USD, period average)	575	…	…	…	…	…	…	…
REER (percentage change)	6.5	…	…	…	…	…	…	…

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

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

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

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

[4] The 2020 stock of debt has been revised upward since the 2021 Article IV to reflect data and coverage revisions.

Table 2a. Republic of Congo: Central Government Operations, 2020–26

(Billions of CFA francs)

	2020	2021	2021	2021	2022	2022	2023	2024	2025	2026
	Est.	Rev. Budget	2021 AIV	Proj.	Budget			Proj.		
Total Revenue and Grants	1,320	1,582	1,581	1,669	1,836	1,847	1,862	1,995	2,022	2,031
Revenue	1,221	1,567	1,566	1,607	1,799	1,809	1,820	1,951	1,967	1,971
Oil revenue	651	950	945	999	1,060	1,076	1,029	1,094	1,022	930
of which: repayment of oil-prepurchased debt	82	…	85	83	…	77	90	77	97	76
Non-oil revenue	570	617	621	608	739	734	791	857	945	1,041
Direct taxes	200	202	211	231	282	267	288	315	346	381
Taxes on goods and services	255	268	269	241	295	305	327	342	376	409
Customs Receipts	103	110	106	110	124	124	136	159	180	205
Non-tax revenue	12	36	35	27	38	38	40	42	44	46
Grants	100	15	15	61	37	37	42	44	55	60
Expenditure and Net Lending	1,393	1,451	1,477	1,574	1,661	1,649	1,762	1,836	1,991	2,102
Current expenditure	1,179	1,179	1,232	1,355	1,332	1,309	1,386	1,444	1,547	1,613
Wages	352	370	370	370	379	379	398	426	458	495
Other primary current expenditure	688	637	717	795	739	739	776	804	875	896
Goods and services	157	143	174	227	187	190	203	202	230	244
Transfers	473	432	483	483	487	487	509	537	576	582
Social Transfers (Lisungi, COVID-19 and others)	80	86	86	86	186	104	119	134	149	167
Traditional transfers	274	…	275	275	162	244	261	285	285	291
Oil-related transfers	82	…	85	83	77	77	90	77	97	76
Common charges	58	62	60	85	65	62	64	66	68	70
Annex budgets and special Accounts[1]	60	42	46	35	42	42	43	43	43	43
Interest	80	130	99	155	172	148	169	170	170	179
Domestic	35	…	33	87	…	58	95	109	120	140
External	45	…	67	67	…	90	74	62	51	39
of which: COVID-19 Moratorium Loan (interest)	0	…	1	2	…	2	2	2	1	0
of which: on oil-prepurchased debt	2	…	22	22	…	48	34	22	11	0
Capital expenditure	214	272	244	219	329	340	376	392	443	489
Domestically financed	119	147	131	131	161	161	175	183	220	278
Externally financed	95	124	113	87	168	179	201	209	224	211
Non-oil primary balance[2]	-644	-689	-741	-749	-713	-730	-760	-765	-820	-821
Basic non-oil primary balance[3]	-649	-580	-643	-723	-582	-588	-601	-600	-651	-670
— excluding oil-related transfers[4]	-566	-580	-557	-640	-582	-511	-511	-523	-554	-594
Primary balance	7	261	204	250	347	346	269	329	202	109
Overall balance, payment order basis										
Excluding grants	-172	116	90	34	138	160	58	115	-23	-131
Including grants	-73	131	105	95	175	198	100	159	31	-71
Adjustment to cash basis	29	0	0	0	0	0	0	0	0	0
Overall balance, cash basis	-44	131	105	95	175	198	100	159	31	-71
Financing	44	-131	-105	-95	-583	-421	-318	-298	-31	71
Foreign (net)	48	-241	-251	-183	-310	-373	-288	-242	-179	-26
Drawings	76	109	126	127	131	142	159	165	169	151
COVID-19 Moratorium Loan	149	…	96	89	…	0	0	0	0	0
Amortization (paid)	-468	-351	-473	-399	-441	-515	-447	-407	-348	-177
of which: COVID-19 Moratorium Loan (principal and interest)	0	…	0	0	…	52	64	63	17	17
of which: on oil-prepurchased debt	-18	…	-115	-114	…	-239	-216	-196	-183	0
Other foreign financing	82	…	0	0	…	0	0	0	0	0
Domestic (net)	-5	110	146	88	-273	-48	-30	-56	148	97
Banking system (net)	318	427	288	188	119	103	103	-15	208	203
Central bank	113	33	-145	-195	119	55	-162	-126	-74	-157
of which: Use of SDR Allocations	…	…	…	33	…	120	…	…	…	…
Commercial banks	206	394	432	384	…	48	265	112	282	360
Nonbank financing	-323	-317	-142	-100	-392	-151	-133	-42	-60	-106
Of which: Repayment of domestic arrears	-203	-128	-165	-165	…	-201	-177	-143	-102	-54
Financing gap (- = surplus)	0	0	0	0	408	223	218	139	0	0
Expected financing (excluding IMF)	0	0	0	0	…	71	167	89	0	0
IMF-ECF	0	0	0	0	…	152	51	50	0	0
Residual financing gap	0	…	0	0	…	0	0	0	0	0
Memorandum items:										
Stock of domestic arrears[5]	1,358	…	1,107	1,148	…	1,333	987	694	551	496
Stock of government deposits	98	…	243	294	…	88	200	277	326	460
CEMAC Reference fiscal balance[6]	152	…	28	-36	…	-87	-202	-107	-137	-162
GDP at current market prices	5,937	6,962	6,976	6,962	7,189	7,189	7,390	7,899	8,146	8,370
Non-oil GDP at market prices	4,245	4,369	4,369	4,369	4,639	4,639	4,955	5,308	5,708	6,162

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

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

Table 2b. Republic of Congo: Central Government Operations, 2020–26

(Percent of non-oil GDP)

	2020	2021	2021	2021	2022	2022	2023	2024	2025	2026
	Est.	Rev. Budget	2021 AIV	Proj.	Budget			Proj.		
Total Revenue and Grants	31.1	36.2	36.2	38.2	39.6	39.8	37.6	37.6	35.4	33.0
Revenue	28.8	35.9	35.9	36.8	38.8	39.0	36.7	36.8	34.5	32.0
Oil revenue	15.3	21.7	21.6	22.9	22.9	23.2	20.8	20.6	17.9	15.1
of which: repayment of oil-prepurchased debt	1.9	…	2.0	1.9	0.0	1.7	1.8	1.5	1.7	1.2
Non-oil revenue	13.4	14.1	14.2	13.9	15.9	15.8	16.0	16.1	16.6	16.9
Direct taxes	4.7	4.6	4.8	5.3	6.1	5.8	5.8	5.9	6.1	6.2
Taxes on goods and services	6.0	6.1	6.2	5.5	6.4	6.6	6.6	6.4	6.6	6.6
Customs receipts	2.4	2.5	2.4	2.5	2.7	2.7	2.8	3.0	3.2	3.3
Non-tax revenue	0.3	0.8	0.8	0.6	0.8	0.8	0.8	0.8	0.8	0.7
Grants	2.3	0.3	0.3	1.4	0.8	0.8	0.9	0.8	1.0	1.0
Expenditure and Net Lending	32.8	33.2	33.8	36.0	35.8	35.5	35.6	34.6	34.9	34.1
Current expenditure	27.8	27.0	28.2	31.0	28.7	28.2	28.0	27.2	27.1	26.2
Wages	8.3	8.5	8.5	8.5	8.2	8.2	8.0	8.0	8.0	8.0
Other primary current expenditure	16.2	14.6	16.4	18.2	15.9	15.9	15.7	15.2	15.3	14.5
Goods and services	3.7	3.3	4.0	5.2	4.0	4.1	4.1	3.8	4.0	4.0
Transfers	11.2	9.9	11.0	11.0	10.5	10.5	10.3	10.1	10.1	9.4
Social Transfers (Lisungi, COVID-19 and others)	1.9	2.0	2.0	2.0	4.0	2.2	2.4	2.5	2.6	2.7
Traditional transfers	6.4	…	6.3	6.3	3.5	5.3	5.3	5.4	5.0	4.7
Oil-related transfers	1.9	…	2.0	1.9	1.7	1.7	1.8	1.5	1.7	1.2
Common charges	1.4	1.4	1.4	2.0	1.4	1.3	1.3	1.2	1.2	1.1
Annex budgets and special Accounts[1]	1.4	1.0	1.1	0.8	0.9	0.9	0.9	0.8	0.8	0.7
Interest	1.9	3.0	2.3	3.5	3.7	3.2	3.4	3.2	3.0	2.9
Domestic	0.8	…	0.7	2.0	0.0	1.3	1.9	2.0	2.1	2.3
External	1.1	…	1.5	1.5	0.0	1.9	1.5	1.2	0.9	0.6
of which: COVID-19 Moratorium Loan (interest)	0.0	…	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
of which: on oil-prepurchased debt	0.0	…	0.5	0.5	0.0	1.0	0.7	0.4	0.2	0.0
Capital expenditure	5.0	6.2	5.6	5.0	7.1	7.3	7.6	7.4	7.8	7.9
Domestically financed	2.8	3.4	3.0	3.0	3.5	3.5	3.5	3.4	3.8	4.5
Externally financed	2.2	2.8	2.6	2.0	3.6	3.9	4.1	3.9	3.9	3.4
Non-oil primary balance[2]	-15.2	-15.8	-17.0	-17.1	-15.4	-15.7	-15.3	-14.4	-14.4	-13.3
Basic non-oil primary balance[3]	-15.3	-13.3	-14.7	-16.5	-12.5	-12.7	-12.1	-11.3	-11.4	-10.9
— excluding oil-related transfers[4]	-13.3	-13.3	-12.8	-14.6	-12.5	-11.0	-10.3	-9.8	-9.7	-9.6
Primary balance	0.2	6.0	4.7	5.7	7.5	7.5	5.4	6.2	3.5	1.8
Overall balance, payment order basis										
Excluding grants	-4.1	2.7	2.0	0.8	3.0	3.5	1.2	2.2	-0.4	-2.1
Including grants	-1.7	3.0	2.4	2.2	3.8	4.3	2.0	3.0	0.6	-1.1
Adjustment to cash basis	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-1.0	3.0	2.4	2.2	3.8	4.3	2.0	3.0	0.6	-1.1
Financing	1.0	-3.0	-2.4	-2.2	-12.6	-9.1	-6.4	-5.6	-0.6	1.1
Foreign (net)	1.1	-5.5	-5.7	-4.2	-6.7	-8.0	-5.8	-4.6	-3.1	-0.4
Drawings	1.8	2.5	2.9	2.9	2.8	3.1	3.2	3.1	3.0	2.5
COVID-19 Moratorium Loan	3.5	…	2.2	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (paid)	-11.0	-8.0	-10.8	-9.1	-9.5	-11.1	-9.0	-7.7	-6.1	-2.9
of which: COVID-19 Moratorium Loan (principal and interest)	0.0	…	0.0	0.0	0.0	1.1	1.3	1.2	0.3	0.3
of which: on oil-prepurchased debt	-0.4	…	-2.6	-2.6	0.0	-5.1	-4.4	-3.7	-3.2	0.0
Other foreign financing	1.9	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	-0.1	2.5	3.3	2.0	-5.9	-1.0	-0.6	-1.1	2.6	1.6
Banking system (net)	7.5	9.8	6.6	4.3	2.6	2.2	2.1	-0.3	3.6	3.3
Central bank	2.7	0.8	-3.3	-4.5	2.6	1.2	-3.3	-2.4	-1.3	-2.5
of which Use of SDR Allocations	…	…	…	0.8	…	2.6	…	…	…	…
Commercial banks	4.8	9.0	9.9	8.8	0.0	1.0	5.4	2.1	4.9	5.8
Nonbank financing	-7.6	-7.2	-3.2	-2.3	-8.5	-3.3	-2.7	-0.8	-1.1	-1.7
Of which: Repayment of domestic arrears	-4.8	-2.9	-3.8	-3.8	0.0	-4.3	-3.6	-2.7	-1.8	-0.9
Financing gap (- = surplus)	0.0	0.0	0.0	0.0	8.8	4.8	4.4	2.6	0.0	0.0
Expected financing (excluding IMF)	0.0	0.0	0.0	0.0	…	1.5	3.4	1.7	0.0	0.0
IMF-ECF	0.0	0.0	0.0	0.0	…	3.3	1.0	0.9	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	…	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Stock of domestic arrears[5]	32.0	…	25.3	26.3	…	28.7	19.9	13.1	9.6	8.1
Stock of government deposits	2.3	…	5.6	6.7	…	1.9	4.0	5.2	5.7	7.5
CEMAC Reference fiscal balance[6]	3.6	…	0.6	-0.8	…	-1.9	-4.1	-2.0	-2.4	-2.6
GDP at current market prices (CFAF billion)	5,937	6,962	6,976	6,962	7,189	7,189	7,390	7,899	8,146	8,370
Non-oil GDP at market prices (CFAF billion)	4,245	4,369	4,369	4,369	4,639	4,639	4,955	5,308	5,708	6,162

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

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

Table 2c. Republic of Congo: Central Government Operations, 2020–26

(Percent of GDP)

	2020	2021	2021	2021	2022	2022	2023	2024	2025	2026
	Est.	Rev. Budget	2021 AIV	Proj.	Budget			Proj.		
Total Revenue and Grants	22.2	22.7	22.7	24.0	25.5	25.7	25.2	25.3	24.8	24.3
Revenue	20.6	22.5	22.5	23.1	25.0	25.2	24.6	24.7	24.1	23.6
Oil revenue	11.0	13.6	13.5	14.3	14.7	15.0	13.9	13.8	12.5	11.1
Non-oil revenue	9.6	8.9	8.9	8.7	10.3	10.2	10.7	10.9	11.6	12.4
Direct taxes	3.4	2.9	3.0	3.3	3.9	3.7	3.9	4.0	4.2	4.6
Taxes on goods and services	4.3	3.9	3.9	3.5	4.1	4.2	4.4	4.3	4.6	4.9
Customs Receipts	1.7	1.6	1.5	1.6	1.7	1.7	1.8	2.0	2.2	2.4
Non-tax revenue	0.2	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.6
Grants	1.7	0.2	0.2	0.9	0.5	0.5	0.6	0.6	0.7	0.7
Expenditure and Net Lending	23.5	20.8	21.2	22.6	23.1	22.9	23.8	23.2	24.4	25.1
Current expenditure	19.9	16.9	17.7	19.5	18.5	18.2	18.8	18.3	19.0	19.3
Wages	5.9	5.3	5.3	5.3	5.3	5.3	5.4	5.4	5.6	5.9
Other primary current expenditure	11.6	9.2	10.3	11.4	10.3	10.3	10.5	10.2	10.7	10.7
Goods and services	2.6	2.1	2.5	3.3	2.6	2.6	2.7	2.6	2.8	2.9
Transfers	8.0	6.2	6.9	6.9	6.8	6.8	6.9	6.8	7.1	7.0
Social Transfers (Lisungi, COVID-19 and others)	1.3	1.2	1.2	1.2	2.6	1.4	1.6	1.7	1.8	2.0
Traditional transfers	4.6	…	3.9	3.9	2.3	3.4	3.5	3.6	3.5	3.5
Oil-related transfers	1.4	…	1.2	1.2	1.1	1.1	1.2	1.0	1.2	0.9
Common charges	1.0	0.9	0.9	1.2	0.9	0.9	0.9	0.8	0.8	0.8
Annex budgets and special Accounts[1]	1.0	0.6	0.7	0.5	0.6	0.6	0.6	0.5	0.5	0.5
Interest	1.3	1.9	1.4	2.2	2.4	2.1	2.3	2.2	2.1	2.1
Domestic	0.6	…	0.5	1.3	0.0	0.8	1.3	1.4	1.5	1.7
External	0.8	…	1.0	1.0	0.0	1.3	1.0	0.8	0.6	0.5
of which: COVID-19 Moratorium Loan (interest)	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: on oil-prepurchased debt	0.0	…	0.3	0.3	0.0	0.7	0.5	0.3	0.1	0.0
Capital expenditure	3.6	3.9	3.5	3.1	4.6	4.7	5.1	5.0	5.4	5.8
Domestically financed	2.0	2.1	1.9	1.9	2.2	2.2	2.4	2.3	2.7	3.3
Externally financed	1.6	1.8	1.6	1.3	2.3	2.5	2.7	2.6	2.7	2.5
Non-oil primary balance[2]	-10.9	-9.9	-10.6	-10.8	-9.9	-10.2	-10.3	-9.7	-10.1	-9.8
Basic non-oil primary balance[3]	-10.9	-8.3	-9.2	-10.4	-8.1	-8.2	-8.1	-7.6	-8.0	-8.0
— excluding oil-related transfers[4]	-9.5	-8.3	-8.0	-9.2	-8.1	-7.1	-6.9	-6.6	-6.8	-7.1
Primary balance	0.1	3.7	2.9	3.6	4.8	4.8	3.6	4.2	2.5	1.3
Overall balance, payment order basis										
Excluding grants	-2.9	1.7	1.3	0.5	1.9	2.2	0.8	1.5	-0.3	-1.6
Including grants	-1.2	1.9	1.5	1.4	2.4	2.7	1.4	2.0	0.4	-0.8
Adjustment to cash basis	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-0.7	1.9	1.5	1.4	2.4	2.7	1.4	2.0	0.4	-0.8
Financing	0.7	-1.9	-1.5	-1.4	-8.1	-5.9	-4.3	-3.8	-0.4	0.8
Foreign (net)	0.8	-3.5	-3.6	-2.6	-4.3	-5.2	-3.9	-3.1	-2.2	-0.3
Drawings	1.3	1.6	1.8	1.8	1.8	2.0	2.1	2.1	2.1	1.8
COVID-19 Moratorium Loan	2.5	…	1.4	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (paid)	-7.9	-5.0	-6.8	-5.7	-6.1	-7.2	-6.1	-5.1	-4.3	-2.1
of which: COVID-19 Moratorium Loan (principal and interest)	0.0	…	0.0	0.0	0.0	0.7	0.9	0.8	0.2	0.2
of which: on oil-prepurchased debt	-0.3	…	-1.6	-1.6	0.0	-3.3	-2.9	-2.5	-2.2	0.0
Other foreign financing	1.4	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	-0.1	1.6	2.1	1.3	-3.8	-0.7	-0.4	-0.7	1.8	1.2
Banking system (net)	5.4	6.1	4.1	2.7	1.7	1.4	1.4	-0.2	2.6	2.4
Central bank	1.9	0.5	-2.1	-2.8	1.7	0.8	-2.2	-1.6	-0.9	-1.9
of which Use of SDR Allocations	…	…	…	0.5	…	1.7	…	…	…	…
Commercial banks	3.5	5.7	6.2	5.5	0.0	0.7	3.6	1.4	3.5	4.3
Nonbank financing	-5.4	-4.5	-2.0	-1.4	-5.5	-2.1	-1.8	-0.5	-0.7	-1.3
Of which: Repayment of domestic arrears	-3.4	-1.8	-2.4	-2.4	0.0	-2.8	-2.4	-1.8	-1.2	-0.7
Financing gap (- = surplus)	0.0	0.0	0.0	0.0	5.7	3.1	2.9	1.8	0.0	0.0
Expected financing (excluding IMF)	0.0	0.0	0.0	0.0	…	1.0	2.3	1.1	0.0	0.0
IMF-ECF	0.0	0.0	0.0	0.0	…	2.1	0.7	0.6	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	…	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Stock of domestic arrears[5]	22.9	…	15.9	16.5	…	18.5	13.3	8.8	6.8	5.9
Stock of government deposits	1.6	…	3.5	4.2	…	1.2	2.7	3.5	4.0	5.5
CEMAC Reference fiscal balance[7]	2.6	…	0.4	-0.5	…	-1.2	-2.7	-1.4	-1.7	-1.9
GDP at current market prices	5,937	6,962	6,976	6,962	7,189	7,189	7,390	7,899	8,146	8,370
Non-oil GDP at market prices	4,245	4,369	4,369	4,369	4,639	4,639	4,955	5,308	5,708	6,162

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

[6] 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, 2021–22

(Billions of CFA francs)

	2021					2022				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
	Prel.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	287	383	439	560	1,669	345	436	480	586	1,847
Revenue	287	383	433	505	1,607	335	427	470	577	1,809
Oil revenue	148	235	280	337	999	215	258	280	323	1,076
of which: repayment of oil-prepurchased debt	21	21	21	21	83	14	20	20	23	77
Non-oil revenue	139	148	153	168	608	120	169	191	254	734
Direct taxes	44	52	59	76	231	44	61	69	92	267
Taxes on goods and services	59	68	61	53	241	50	70	79	105	305
Customs Receipts	26	24	31	29	110	20	29	32	43	124
Non-tax revenue	9	4	3	10	27	6	9	10	13	38
Grants	0	0	6	55	61	9	9	9	9	37
Expenditure and net lending	351	334	391	498	1,574	367	420	439	424	1,649
Current expenditure	320	293	321	421	1,355	298	335	347	329	1,309
Wages	82	85	99	104	370	87	95	99	99	379
Other primary current expenditure	186	178	205	261	830	174	203	211	193	781
Goods and services	52	67	40	68	227	48	53	55	34	190
Transfers	99	83	146	154	483	101	124	130	133	487
Social transfers (Lisungi, COVID-19 and other)	…	…	21	64	86	25	27	26	26	104
Traditional Transfers	75	63	101	36	275	46	61	68	68	244
Transfers paid with crude oil barrels	24	21	21	18	83	14	20	20	23	77
Local Government	0	0	3	10	14	9	9	9	9	37
Elections				25	25	6	6	6	6	25
Common charges	20	20	14	31	85	16	16	16	16	62
Annex budgets and special Accounts[1]	15	8	5	8	35	11	11	11	11	42
Interest	52	30	17	55	155	37	37	37	37	148
Domestic	12	15	11	49	87	15	15	15	15	58
External	40	14	7	6	67	23	23	23	23	90
Capital expenditure	31	41	70	77	219	68	85	92	95	340
Domestically financed	27	41	44	19	131	32	40	43	45	161
Externally financed	4	0	26	57	87	36	45	48	50	179
Non-oil primary balance[2]	-160	-156	-214	-219	-749	-200	-205	-201	-124	-730
Basic primary balance	-8	78	86	120	276	42	89	117	240	488
Basic non-oil primary balance[3]	-156	-156	-194	-217	-723	-173	-169	-162	-83	-588
— excluding oil-related transfers[4]	-133	-135	-173	-198	-640	-159	-149	-142	-60	-511
Primary balance	-12	78	66	118	250	15	54	78	199	346
Overall balance, payment order basis										
Excluding grants	-64	49	42	7	34	-31	7	32	152	160
Including grants	-64	49	48	62	95	-22	16	41	162	198
Overall balance, cash basis	-64	50	48	62	95	-22	16	41	162	198
Financing	-44	43	-321	228	-95	57	-36	-50	-391	-421
Foreign (net)	-11	-8	-156	-8	-183	-153	-115	-210	105	-373
Drawings	78	43	48	-43	127	21	35	54	32	142
Amortization Net (Paid) on principal, external	-90	-50	-205	-54	-399	-174	-150	-264	73	-515
of which: on oil-prepurchased debt			-29	-86	-114	-60	-60	-60	-60	-239
Other foreign financing	0	0	0	0	0	…	…	…	…	0
Domestic (net)	-33	50	-165	236	88	210	79	159	-497	-48
Banking	40	13	-140	276	188	225	87	197	-406	103
Central Bank (net)	0	44	-120	-119	-195	104	-16	-16	-17	55
of which: Change in government deposits (- = an increase)	0	0	-52	-177	-228	-16	-16	-16	-16	-65
Use of SDR Allocations				33	33	30	30	30	30	120
Commercial banks (net)	40	-31	-20	395	384	121	103	213	-389	48
Nonbank financing	-72	37	-25	-40	-100	-15	-8	-38	-91	-151
Of which: Repayment of domestic arrears	-17	-11	-33	-104	-165	-20	-10	-50	-121	-201
Financing gap (- = surplus)	108	-93	273	-288	0	-35	19	9	229	223
Expected financing (excluding IMF)	0	0	0	0	0	0	0	0	71	71
IMF-ECF	…	…	0	0	0	51	51	0	51	152
Residual	108	-93	273	-288	0	-86	-31	9	108	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, 2021–22

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

	2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Prel.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	287	669	1109	1669	345	781	1261	1847
Revenue	287	669	1103	1607	335	762	1233	1809
Oil revenue	148	383	662	999	215	473	753	1076
of which: repayment of oil-prepurchased debt	21	42	63	83	14	34	54	77
Non-oil revenue	139	287	440	608	120	289	480	734
Direct taxes	44	96	154	231	44	105	175	267
Taxes on goods and services	59	127	188	241	50	120	200	305
Customs Receipts	26	51	81	110	20	48	81	124
Non-tax revenue	9	13	17	27	6	15	24	38
Grants	0	0	6	61	9	19	28	37
Expenditure and net lending	351	685	1076	1574	367	786	1225	1649
Current expenditure	320	613	934	1355	298	633	980	1309
Wages	82	167	266	370	87	182	280	379
Other primary current expenditure	186	364	569	830	174	377	588	781
Goods and services	52	119	159	227	48	101	156	190
Transfers	99	182	329	483	101	224	354	487
Social transfers (Lisungi, COVID-19 and other)	…	0	21	86	25	52	78	104
Traditional Transfers	75	138	239	275	46	107	176	244
Transfers paid with crude oil barrels	24	44	65	83	14	34	54	77
Local Government	0	0	3	14	9	18	27	37
Elections	0	0	0	25	6	13	19	25
Common charges	20	40	54	85	16	31	47	62
Annex budgets and special Accounts[1]	15	22	27	35	11	21	32	42
Interest	52	82	99	155	37	74	111	148
Domestic	12	28	38	87	15	29	44	58
External	40	54	61	67	23	45	68	90
Capital expenditure	31	72	142	219	68	153	245	340
Domestically financed	27	68	112	131	32	72	116	161
Externally financed	4	4	30	87	36	81	129	179
Non-oil primary balance[2]	-160	-316	-530	-749	-200	-405	-606	-730
Basic primary balance	-8	70	156	276	42	131	248	488
Basic non-oil primary balance[3]	-156	-312	-506	-723	-173	-342	-505	-588
— excluding oil-related transfers[4]	-133	-268	-441	-640	-159	-309	-451	-511
Primary balance	-12	67	132	250	15	69	147	346
Overall balance, payment order basis	0	0	0	0	0	0	0	0
Excluding grants	-64	-16	27	34	-31	-24	8	160
Including grants	-64	-16	33	95	-22	-5	36	198
Overall balance, cash basis	-64	-14	35	97	-22	-5	36	198
Financing	-44	-1	-323	-95	57	21	-30	-421
Foreign (net)	-11	-19	-175	-183	-153	-268	-478	-373
Drawings	78	121	169	127	21	56	110	142
Project loans	4	4	52	127	21	56	110	142
COVID-19 Moratorium Loan	0	0	0	89	0	0	0	0
Amortization Net (Paid) on principal, external	-90	-140	-345	-399	-174	-324	-588	-515
Other foreign financing	0	0	0	0	…	0	0	0
Domestic (net)	-33	18	-147	88	210	289	449	-48
Banking	40	53	-87	188	225	312	509	103
Central Bank (net)	0	44	-76	-195	104	88	72	55
of which: Change in government deposits (- = an increase)	0	0	-52	-228	-16	-33	-49	-65
Use of SDR Allocations	0	0	0	33	30	60	90	120
Commercial banks (net)	40	9	-11	384	121	224	437	48
Nonbank financing	-72	-35	-60	-100	-15	-23	-60	-151
Of which: Repayment of domestic arrears	-17	-28	-61	-165	-20	-30	-80	-201
Financing gap (- = surplus)	108	15	288	0	-35	-15	-6	223
Expected financing (excluding IMF)	0	0	0	0	0	0	0	71
IMF-ECF	…	0	0	0	51	102	102	152
Residual	108	15	288	0	-86	-117	-108	0

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

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

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

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

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

Table 4. Republic of Congo: Medium-Term Balance of Payments, 2020–26

(Billions of CFA francs)

	2020	2021	2021	2022	2023	2024	2025	2026
	Est.	2021 AIV			Proj.			
Current account	-8	846	932	397	23	-108	-329	-356
of which non-oil	-1,276	-900	-849	-1,267	-1,409	-1,553	-1,706	-1,695
Trade balance	1,498	2,643	2,665	2,439	2,155	2,211	1,958	1,732
Exports, f.o.b.	3,131	4,515	4,514	4,537	4,395	4,649	4,448	4,230
Oil sector	2,399	3,644	3,625	3,606	3,445	3,665	3,418	3,101
Non-oil sector	732	872	889	931	949	984	1,030	1,129
Imports, f.o.b.	-1,633	-1,872	-1,848	-2,097	-2,240	-2,438	-2,490	-2,498
Oil sector	-627	-918	-915	-962	-992	-1,091	-1,013	-895
Government	-269	-196	-175	-272	-301	-313	-355	-391
Non-oil private sector	-737	-759	-759	-863	-947	-1,034	-1,122	-1,211
Balance of services	-996	-1,103	-1,087	-1,258	-1,362	-1,488	-1,533	-1,375
Oil sector	-331	-479	-478	-511	-538	-597	-554	-425
Nonoil sector	-665	-624	-609	-746	-824	-891	-979	-951
Income	-580	-684	-683	-794	-782	-844	-775	-737
Labor income	9	2	2	2	2	1	2	3
Investment income	-589	-686	-685	-796	-785	-845	-778	-741
Current transfers (net)	70	-10	36	9	13	12	21	24
Capital account	22	22	22	15	15	44	55	60
Official grants	28	28	28	15	15	44	55	60
Debt cancellation	0	0	0	0	0	0	0	0
Non-financial non-produced assets	-6	-6	-6	0	0	0	0	0
Financial account	-284	-915	-899	-518	-64	53	367	469
Direct investment (net)	157	295	294	331	381	373	355	338
Portfolio investment	-1	-1	-1	-1	-1	-1	-1	-1
Other investment	-440	-1,210	-1,192	-848	-445	-318	13	132
Medium and long term	-431	-211	-138	-363	-180	-132	-138	2
Public sector	-392	-346	-151	-346	-203	-176	-179	-26
Drawings	76	126	127	169	245	231	169	151
Project	76	126.5	127	142	159	165	169	151
Program	0	0	0	0	0	0	0	0
Other (collateralized)	0	0	0	27	86	66	0	0
Amortization[1]	-410	-403	-399	-515	-447	-407	-348	-177
Net change in arrears	-57	-70	0	0	0	0	0	0
SDR Allocation	0	121	121	0	0	0	0	0
Private sector	-39	14	14	-17	23	43	42	28
Oil	-45	26	25	25	26	29	26	23
Non-oil	7	-12	-12	-43	-4	14	15	5
Short term	-10	-999	-1,055	-485	-265	-186	150	130
Errors and omissions	0	0	0	0	0	0	0	0
Overall balance of payments	-270	-48	55	-105	-26	-11	93	173
Financing	269	-73	-56	-118	-192	-129	-93	-173
Reserve financing (- = increase)	39	-168	-145	-118	-192	-129	-93	-173
Government deposits abroad	82	0	0	0	0	0	0	0
Exceptional financing [2]	149	96	89	0	0	0	0	0
Financing gap (- = surplus)	0	--	0	223	218	139	0	0
Expected financing (excluding IMF)	0	0	0	71	167	89	0	0
IMF-ECF	0	0	0	152	51	50	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 flow debt relief from Paris Club and London Club, G20 loan moratorium, and payments to litigating creditors.

Table 5. Republic of Congo: Monetary Survey, 2020–26

(Billions of CFA francs, unless otherwise specified)

	2020	2021	2021				2022	2023	2024	2025	2026
		2021 AIV	Q1	Q2	Q3	Q4					
	Est.		Proj.	Proj.	Proj.	Proj.			Proj.		
Net foreign assets	559	626	478	408	480	607	602	729	919	1,032	1,240
Central bank	440	488	348	324	403	463	428	569	648	746	921
Deposit money banks	119	138	131	84	77	144	174	160	271	286	318
Net domestic assets	1,606	2,239	1,685	1,801	1,803	2,138	2,438	2,630	2,720	3,056	3,430
Net domestic credit	1,999	2,239	2,092	2,173	1,803	2,138	2,438	2,630	2,720	3,056	3,430
Net credit to the public sector	875	1,157	958	1,072	992	1,058	1,161	1,416	1,502	1,710	1,913
Net credit to the Government	873	1,154	937	969	889	1,055	1,158	1,413	1,449	1,708	1,911
Central bank	506	355	530	606	546	305	512	553	527	504	347
Claims	598	597	605	682	682	598	598	750	801	825	801
Use of IMF Credit	26	25	26	26	26	26	26	26	26	16	16
Deposits	-98	-243	-83	-84	-136	-294	-88	-200	-277	-326	-460
Deposit money banks	367	799	407	363	158	751	798	911	972	1,204	1,564
Claims on public agencies, net	3	3	21	103	103	3	3	3	3	3	3
Credit to the economy[2]	1,124	1,082	1,134	1,102	811	1,080	1,125	1,164	1,217	1,346	1,517
Credit to the Private Sector	1,032	1,041	1,059	1,040	729	1,039	1,081	1,117	1,168	1,261	1,380
Other items, net	-394	--	-407	-373	--	--	--	--	--	--	--
Broad money	2,159	2,865	2,156	2,201	2,283	2,745	3,040	3,360	3,638	4,088	4,669
Currency outside banks	569	755	542	561	584	723	801	885	959	1,077	1,230
Demand deposits	1,069	1,382	1,098	1,137	1,049	1,322	1,506	1,664	1,802	2,025	2,313
Time deposits	521	728	516	503	616	699	733	810	878	986	1,126
(Changes in percent of beginning-of-period broad money)											
Broad money	18.0	32.7	-0.1	1.9	5.8	27.2	10.8	10.5	8.3	12.4	14.2
Net foreign assets	1.5	3.1	-3.7	-7.0	-3.7	2.2	-0.2	4.2	5.6	3.1	5.1
Net domestic assets	16.8	29.3	3.7	9.0	9.2	24.7	10.9	6.3	2.7	9.2	9.1
Net domestic credit	20.0	11.1	4.3	8.1	-9.1	6.4	10.9	6.3	2.7	9.2	9.1
Net credit to the public sector	17.7	13.0	3.8	9.1	5.4	8.5	3.7	8.4	2.6	5.7	5.0
Credit to the economy[2]	2.3	-1.9	0.5	-1.0	-14.5	-2.0	1.6	1.3	1.6	3.8	5.1
Credit to the Private Sector	1.9	0.4	1.2	0.3	-14.0	0.3	1.5	1.2	1.5	2.8	3.5
Other items, net	-3.2	18.2	-0.6	1.0	18.2	18.2	--	--	--	--	--
(Annual percent changes, unless otherwise indicated)											
Broad money	18.0	32.7	15.6	14.7	17.0	27.2	10.8	10.5	8.3	12.4	14.2
Reserve money	16.5	44.2	4.9	-1.8	-2.7	38.1	7.5	7.2	3.1	15.1	23.4
Credit to the economy[1]	3.9	-3.7	8.9	7.1	-22.9	-3.9	4.2	3.5	4.6	10.5	24.6
Credit to the Private Sector	3.5	0.8	10.0	11.5	-24.9	0.6	4.1	3.3	4.5	8.0	9.4
Velocity (Non-oil GDP/average M2)	2.1	1.5	...	...	...	1.6	1.5	1.5	1.5	1.4	1.3
(Percent)											
Total nominal GDP growth	-20.8	17.5	...	...	...	17.3	3.3	2.8	6.9	3.1	2.8
Non-oil GDP growth	-6.3	2.9	...	...	...	2.9	6.2	6.8	7.1	7.5	7.9
Credit to the economy/Non-oil GDP	26.5	24.8	...	...	...	24.7	24.3	23.5	22.9	23.6	24.6
Memorandum Items:											
Gross imputed official reserves (CFA billion)	643	812	508	471	550	788	906	1097	1226	1319	1492
In months of imports	2.5	2.9	...	...	...	2.7	2.9	3.2	3.5	3.9	4.4
Central bank liablities to non-residents	203.1	323.4	160.4	147.3	147.3	324.9	477.3	527.9	578.3	573.3	570.8

Sources: BEAC; and IMF staff estimates and projections.

[1] Private sector and public enterprises.

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

(Percent, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021	
							March	June
Capital								
Regulatory capital to risk-weighted assets[1, 2]	19.5	19.1	22.8	24.9	28.8	18.8	17.8	22.4
Asset quality								
Non-performing loans less provisions to capital	4.6	7.9	33.0	39.4	49.4	29.6	25.1	24.2
Non-performing loans (gross) to total loans (gross)	3.6	4.8	13.3	18.2	23.1	17.5	16.4	16.7
Earnings and profitability								
Return on equity	20.4	28.0	9.9	16.7	5.3	7.8	0.0	18.4
Return on assets[3]	2.3	4.0	1.7	3.0	0.9	1.2	0.0	2.8
Liquidity								
Ratio of liquid assets to short-term liabilities	116.1	104.4	146.6	176.0	150.8	174.4	168.6	171.6
Total deposits to total (noninterbank) loans	125.5	102.8	90.5	89.1	101.5	108.2	107.3	112.6
Credit								
Gross loan (banks' book) - bn FCFA	1,424	1,460	1,401	1,308	1,166	1,465	1,503	1,451
Gross loan - annualized growth rate	19.8	2.5	-4.1	-6.6	-10.8	25.6	18.1	17.2

Source: FSI database.

[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.

[3] The ratio of after-tax profits to the average of beginning and end-period total assets.

Table 7. Republic of Congo: Gross Fiscal Financing Needs, 2022–26

(Billions of CFA francs)

	2022 Proj	2023 Proj	2024 Proj	2025 Proj	2026 Proj
A. Overall fiscal balance (cash basis) [-=surplus]	-198	-100	-159	-31	71
B. Financing needs	1080	1020	990	966	1002
Amortization (including arrears)	1009	853	859	891	842
External	515	447	407	348	177
Amortization due	515	447	407	348	177
ow DSSI amortization	-52	-64	-63	-17	-17
Domestic	495	406	452	543	666
Amortization due (T-bills redemption)	294	229	309	441	611
Repayment of domestic arrears	201	177	143	102	54
BEAC	65	162	126	69	154
Repayment of statutory advances	0	0	0	21	21
Change in government deposits (+ = an increase)	65	162	126	48	133
Commercial Banks	5	5	5	5	5
Change in government deposits (+ = an increase)	5	5	5	5	5
Other external financing	0	0	0	0	0
Errors and Omissions	0	0	0	0	0
C=A+B Total financing needs	882	920	832	934	1073
D. Identified sources of financing	659	702	692	934	1073
External	142	159	165	169	151
Project financing	142	159	165	169	151
Loans	142	159	165	169	151
Domestic	517	543	527	765	921
SDR allocation channeled through BEAC	120	...	...	...	...
T-bill issuance	348	495	527	765	921
Recovery of domestic tax arrears	48	48	0	0	0
E=C-D Financing gap (-=overfinancing)	223	218	139	0	0
F. Exceptional external financing	71	167	89	0	0
Multilateral	71	167	89	0	0
H=E-F Residual financing needs	153	51	50	0	0
IMF-ECF	152	51	50	0	0

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

Table 8. Republic of Congo: Public Debt by Creditor, 2020–22 [1]

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

	Debt Stock (end of period)			Debt Service						
	2020			2020	2021	2022		2020	2021	2022
	(Million US$)	(Percent total debt)	(Percent GDP)7	(US$)				(Percent GDP)		
Total	12,121	100	110.1	1,332	1,182	1,795		12.9	9.3	13.6
External	6,875	57	62.4	881	850	1,111		8.5	6.7	8.4
Multilateral creditors2,3	899	7.4	8.2	37	34	37		0.4	0.3	0.3
IMF	48	0.4	0.4	…	…	…	…	…	…	…
World Bank	343	2.8	3.1	…	…	…	…	…	…	…
ADB/AfDB/IADB	422	3.5	3.8	…	…	…	…	…	…	…
Other Multilaterals	85	0.7	0.8	…	…	…	…	…	…	…
o/w: BDEAC	32	0.3	0.3	…	…	…	…	…	…	…
IFAD	26	0.2	0.2	…	…	…	…	…	…	…
Bilateral Creditors	3,007	24.8	27.3	602	363	356		5.8	2.9	2.7
Paris Club	443	3.7	4.0	195	23	107		1.9	0.2	0.8
o/w: France	195	1.6	1.8	…	…	…	…	…	…	…
Belgium	160	1.3	1.5	…	…	…	…	…	…	…
Non-Paris Club	2,564	21.2	23.3	407	340	249		3.9	2.7	1.9
o/w: China	2,114	17.4	19.2	…	…	…	…	…	…	…
India	130	1.1	1.2	…	…	…	…	…	…	…
Bonds	274	2.3	2.5	45	43	41		0.4	0.3	0.3
Commercial creditors2	2,969	24.5	27.0	196	410	681		1.9	3.2	5.1
Domestic	5246	43.3	47.6	452	332	685		4.4	2.6	5.2
T-Bills	…	…	…	…	…	…	…	…	…	…
Bonds6	1665	13.7	15.1	431	310	654		4.2	2.4	4.9
Loans	1061	8.8	9.6	21	22	30		0.2	0.2	0.2
Memo items:										
Collateralized debt4										
o/w: Related	1,683	…	15.3	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…
Contingent liabilities										
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities5	298	…	2.7							
Nominal GDP	10,329	…	…	…	…	…	…	…	…	…

Sources: Congolese authorities and IMF staff estimates.

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

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

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

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

5/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential

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

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

Table 9. Republic of Congo: External Arrears, 2020–21
(Year-end; billions of CFAF, unless otherwise indicated)

	End-2020 stock			Increase(+) /Decrease(-) in 2021	September 2021 stock			Sep 2021 (Excl. unrestructured pre-HIPC arrears)		
	CFAF billion	USD million	percent of GDP	CFAF billion	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total	**744**	**1380**	**13**	**-30**	**714**	**1301**	**10.3**	**604**	**1099**	**8.7**
Multilateral and other creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFAD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AfDB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	119.9	222.4	2.0	-4.3	115.5	210.3	1.7	61.0	111.1	0.9
Paris Club	41.1	76.2	0.7	3.2	44.3	80.6	0.6	44.3	80.6	0.6
Brazil 1/	25.2	46.7	0.4	1.3	26.5	48.2	0.4	26.5	48.2	0.4
Belgium 1/	10.5	19.4	0.2	7.3	17.8	32.4	0.3	17.8	32.4	0.3
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	5.4	10.1	0.1	-5.4	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
Non-Paris Club	78.8	146.1	1.3	-7.5	71.2	129.7	1.0	16.7	30.4	0.2
United Arab Emirates	12.3	22.9	0.2	0.6	13.0	23.6	0.2	0.6	1.1	0.0
Angola	39.0	72.4	0.7	2.0	41.0	74.7	0.6	2.0	3.6	0.0
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India 1/	11.4	21.2	0.2	2.3	13.7	24.9	0.2	13.7	24.9	0.2
Kuwait	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.0
Saudi Arabia	0.0	0.0	0.0	0.3	0.3	0.6	0.0	0.3	0.6	0.0
Turkey	12.8	23.8	0.2	-12.8	0.0	0.0	0.0	0.0	0.0	0.0
Postal debt	3.1	5.8	0.1	0.0	3.1	5.7	0.0	0.0	0.0	0.0
Private Creditors	624	1157.6	11	-25	599	1090	8.6	543	988	7.8
CMEC and Chinese companies 2/	0	0.0	0	67	67	122	1.0	67.0	122	1.0
Eurobond (London Club)	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
Oil traders	396	734.1	7	-92	304	553	4.4	304	553	4.4
Suppliers 3/	228	423.5	4	0	228	415	3.3	172.1	313	2.5

Sources: Congolese authorities and IMF staff estimates.

[1] As of end-2021 arrears to Brazil (projected at $112 million) are expected to be treated under the DSSI. Part of the arrears to India are also expected to be treated under the DSSI and the rest through a payment agreement. Similarly, a separate agreeement has been reached, with signatures expected shortly, for arrears payments to Belgium that are not covered under the DSSI (projected at $36 million by end-2021).

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

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

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

(Millions of SDRs, unless otherwise stated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
IMF obligations based on existing credit																
Principal	0.0	0.0	0.0	0.0	6.5	6.5	6.5	6.5	6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges and interest	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
IMF obligations based on prospective credit																
Principal	0.00	0.0	0.0	0.0	0.0	0.0	13.0	42.1	55.1	64.8	64.8	51.8	22.7	9.7	0.0	0.0
Charges and interest	0.00	0.0	0.0	0.0	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	0.1	0.1	0.1	6.6	6.6	19.6	48.7	61.7	64.9	64.9	52.0	22.8	9.8	0.1	0.0
CFAF billions	0.0	0.1	0.1	0.1	5.1	5.1	15.1	37.7	47.7	50.2	50.2	40.2	17.6	7.6	0.1	0.0
Percent of exports of goods and services	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.8	0.9	0.9	0.9	0.7	0.3	0.1	0.0	0.0
Percent of debt service[1]	0.0	0.0	0.0	0.0	1.3	2.4	7.4	17.7	23.2	23.6	23.1	18.0	8.9	3.9	0.0	0.0
Percent of GDP	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.4	0.5	0.5	0.4	0.3	0.1	0.1	0.0	0.0
Percent of tax revenue	0.0	0.0	0.0	0.0	0.6	0.5	1.4	3.1	3.6	3.4	3.1	2.2	0.9	0.4	0.0	0.0
Percent of quota	0.0	0.1	0.1	0.1	4.1	4.1	12.1	30.1	38.1	40.1	40.1	32.1	14.1	4.7	0.1	0.0
Outstanding IMF credit based on existing and prospective drawings																
SDR millions	32.4	226.8	291.6	356.4	349.9	343.4	324.0	275.4	213.8	149.0	84.2	32.4	9.7	0.0	0.0	0.0
CFAF billions	25.5	177.9	227.7	277.2	271.3	265.8	250.7	213.1	165.5	115.3	65.2	25.1	7.5	0.0	0.0	0.0
Percent of exports of goods and services	0.5	3.8	5.0	5.7	5.9	6.0	5.3	4.3	3.2	2.2	1.2	0.5	0.1	0.0	0.0	0.0
Percent of debt service[1]	5.5	29.4	43.7	59.2	68.0	123.0	123.3	99.8	80.5	54.2	30.0	11.2	3.8	0.0	0.0	0.0
Percent of GDP	0.4	2.5	3.1	3.5	3.3	3.2	2.8	2.2	1.6	1.1	0.6	0.2	0.1	0.0	0.0	0.0
Percent of tax revenue	4.4	25.6	30.3	34.0	30.1	26.7	22.9	17.6	12.4	7.8	4.0	1.4	0.4	0.0	0.0	0.0
Percent of quota	20.0	140.0	180.0	220.0	216.0	212.0	200.0	170.0	132.0	92.0	52.0	20.0	6.0	0.0	0.0	0.0
Memorandum items:																
Exports of goods and services (CFAF billions)	4,701	4,725	4,577	4,842	4,632	4,405	4,705	4,904	5,115	5,362	5,641	5,505	5,396	5,309	5,258	5,264
External Debt service (CFAF billions)[1]	467	605	521	468	399	216	203	213	205	213	217	223	199	197	194	198
Nominal GDP (CFAF billions)	6,962	7,189	7,390	7,899	8,146	8,370	8,897	9,476	10,112	10,811	11,571	12,102	12,710	13,398	14,170	15,032
Tax revenue (CFAF billions)	581	696	751	816	901	995	1,096	1,208	1,332	1,469	1,622	1,789	1,970	2,156	2,363	2,180
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: Proposed 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	Executive Board approval of three-year arrangement under the ECF.	64.80	40
April 15, 2022	Observance of performance criteria for February 28, 2022, continuous performance criteria and completion of first review.	64.80	40
October 15, 2022	Observance of performance criteria for June 30, 2022, continuous performance criteria and completion of second review.	64.80	40
April 15, 2023	Observance of performance criteria for December 31, 2022, continuous performance criteria and completion of third review.	32.40	20
October 15, 2023	Observance of performance criteria for June 30, 2023, continuous performance criteria and completion of fourth review.	32.40	20
April 15, 2024	Observance of performance criteria for December 31, 2023, continuous performance criteria and completion of fifth review.	32.40	20
October 15, 2024	Observance of performance criteria for June 30, 2024, continuous performance criteria and completion of sixth review.	32.40	20
	Total	324.00	200
Memorandum item:			
Republic of Congo's quota		162.0	

Source: IMF Staff estimates.

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

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

	Type of criteria	End-Feb 2022 PC Program	End-Mar 2022 IT Program	End-Jun 2022 PC Program	End-Sept 2022 IT Program
Floor on basic non-oil primary budget balance[2]	PC	-128	-159	-309	-451
Ceiling on net domestic financing of the central government	PC	168	210	289	449
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3]	PC	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,4,5,7]	PC	0	0	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,6]	PC	0	0	0	0
Floor on non-oil revenues	IT	96	120	289	480
Floor for social and poverty-reducing spending	IT	61	76	152	228
Ceiling on disbursements of external loans for investment projects	IT	17	21	56	110
Ceiling on new concessional external debt contracted or guaranteed by the central government (US$ million) [4,7]	IT	15	19	37	56
Floor on repayment of domestic arrears accumulated by the central government	IT	16	20	30	80
Memo items: :					
Oil revenue[8]		161	201	439	699
Expected external budgetary assistance, net[9]		9	9	19	28
- BoP assistance (IMF-ECF)		51	51	102	102
- Budgetary loans and grants (excl. IMF)		9	9	19	28
- Change in non-program external arrears		0	0	0	0
Payments for current external debt service due after debt relief		127	159	318	476

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

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

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

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

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

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

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

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

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

Table 13. Republic of Congo: Proposed Structural Benchmarks

Measures	Target date	Status	Macroeconomic Rationale
Prepare a new medium-term strategy for PFM reforms, with a three-year action plan, updated every 18 months.	End-March 2022		Improve the efficiency and transparency in the use of public resources.
Parliamentary approval of the new anti-corruption law and publication of the accompanying decree clarifying conflict of interest rules and procedures.	End-March 2022		Reduce corruption, improve governance, and protect public resources.
Publish on the government website the audit (by a reputable international audit firm) of COVID-19-related spending during 2020.	End-June 2022		Improve transparency and governance and protect public resources.
Publish on the government website oil reconciliation reports prepared by a reputable international audit firm and a table with all mining, forestry, and oil concessions holders.	End-June 2022		Improve transparency and protect public resources.
Prepare a template for consolidated and sectoral public procurement plans that is comprehensive and reflects international best practices.	End-June 2022		Improve public investment management, budget credibility and transparency, and cash management.
Prepare a comprehensive medium-term debt management strategy.	End-July 2022		Manage debt-related risks and support fiscal sustainability.
Fully operationalize the remaining modules (accounting, cash management, fiscal reporting, treasury, procurement) of the new Expenditure Tracking Software (SIGFIP).	End-December 2022		Improve transparency and governance and protect public resources.
Prepare an inventory of all tax arrears to identify them with precision and establish the probability of recovery.	End-December 2022		Improve tax administration and support domestic revenue mobilization efforts.
Operationalize the procurement planning template by mapping it to the 2023 budget.	End-December 2022		Improve management of public spending (including public investment), budget credibility and transparency, and cash management.

Table 14. Republic of Congo: Prior Actions		
Measures	**Status**	**Macroeconomic Rationale**
Submit the new anti-corruption law to Parliament.	Completed	Reduce corruption, improve governance, and protect public resources.
Agree on terms of reference for the audit (by a reputable international audit firm) of COVID-19-related spending during 2020-21 and publish the call for tenders.	Completed	Improve transparency and governance and protect public resources.
Publish on the government website the 2019 report of performance under the Extractive Industries Transparency Initiative (EITI).	Completed	Improve transparency and governance.

Annex I. Drivers of Congo's Fragility

A fragile state (FS) can be defined in many ways. These countries are often characterized by (i) significant institutional and policy implementation weaknesses; (ii) a fractious political context; (iii) severe domestic resource constraints; and (iv) vulnerability to shocks (IMF 2012). Against this backdrop, the IMF has in recent years defined FS as countries having either weak institutional capacity as measured by the World Bank's Country Policy and Institutional Assessment (CPIA) score—with an average of 3.2 or lower—and/or having recently experienced conflict (signaled by presence of a peace-keeping or peace-building operation in the most recent three-year period)[1](IMF, 2015).

The Republic of Congo is considered a FS due to challenges in economic and public sector management, structural policies, and social inclusion and equity. Its average CPIA score has been around 2.7 since 2017, well-below the 3.2 threshold,[2] reflecting:

- *Highly vulnerable economic structure and poor social indicators.* The Congolese economy is extremely dependent on oil, and thus highly vulnerable to global oil price fluctuations. Poverty is pervasive, with 67 percent living below the poverty line, one of the highest unemployment rates in SSA, 60 percent of the population lacking access to electricity, and limited social safety nets (IMF Country Report 21/225 Annex V).

- *Sensitivity to climate shocks.* Heavy reliance on rain-fed agriculture increases Congo's humanitarian, social, and macroeconomic vulnerabilities to rising temperatures and extreme weather shocks. Recent years' intensified flooding coupled with new refugees from the Central African Republic are plunging greater proportions of the population into food insecurity and poverty.

- *Weak governance.* Governance indicators exhibit significant weaknesses—particularly with regard to the management of revenue and expenditure and the transparency and accountability in these core functions—and persistent corruption vulnerabilities.

- *Political and security risks.* Congo has been relatively conflict-free in recent years. There is currently no UN peacekeeping operation in the country. The 2017 ceasefire agreement between the government and the former civil war "Ninja" militia remains intact. Meanwhile, the 2021 presidential elections were completed peacefully. However, the lack of social inclusion and equity could generate bouts of instability. The likelihood of security risks spillover from Congo's neighbors (Central African Republic, Democratic Republic of Congo) are also rising.

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

[2] The assessment indicates that the four sub-components, economic management, structural policies, policies for social inclusion and equity and public sector management, hover around 2.7–2.8.

Annex II. Risk Assessment Matrix[1]

Risks	Likelihood	Impact if Realized	Policy Response
		Global risks	
Uncontrolled Covid-19 local outbreaks and subpar/volatile growth in affected countries. Outbreaks in slow-to-vaccinate countries force new lockdowns. For many Emerging Markets and Low-Income Countries, policy response to cushion the economic impact is constrained by lack of policy space, with some market access countries facing additional financial tightening as a reassessment of growth prospects triggers capital outflows, depreciations, and debt defaults.	**High**	**High** A prolonged outbreak would have a particularly large adverse impact in Congo. The limitations to the health system could result in a large loss of life due to the pandemic. The economy would be hit hard by increased disruptions in both the oil and non-oil sectors.	Improve public health measures, (including vaccine dissemination, testing capacity), follow WHO guidelines, and strengthen regional cross-border pandemic response. Strengthen government fiscal social and health response to the pandemic. Prioritize infrastructure projects with large fiscal multipliers and value-for-money.
Volatile commodity prices. Commodity prices increase by more than expected against a weaker U.S. dollar, post-pandemic pent-up demand and supply disruptions, and for some materials, accelerated plans for renewable energy adoption. Uncertainty surrounding each of these factors leads to bouts of	**Medium**	**High** Given Congo's dependency on oil revenue and export proceeds, higher than expected commodity prices are an upside risk that could support the fiscal strategy and the external sector, and efforts to diversify the economy. Oil supply disruptions in Congo are a downside risk to watch though as they would	Take the opportunity of higher oil prices: (i) to spare financial resources and implement structural measures to diversify the economy, enhance competitiveness, and deepen regional integration; (ii) and implement the reform agenda to reduce vulnerabilities in Congo and increase the capacity of the

[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
volatility, especially in oil prices. Commodity prices decline with (i) the emergence of new COVID-19 variants; and (ii) rising inflation in advanced countries triggering tighter monetary policy.		negatively affect macroeconomic outcomes. Conversely, lower oil prices and oil revenues would increase fiscal and external vulnerabilities and spillover to non-oil economic activity.	economy to attract investment. Accelerate mobilization of non-oil revenues and further streamline non-priority spending.
Intensified geopolitical tensions and security risks. Geopolitical tensions in selected countries/regions cause economic/political disruption, disorderly migration, higher volatility in commodity prices (if supply is disrupted), and lower confidence, with spillovers to other countries.	High	Medium Restrictions on the movement of food and basic goods across countries may cause shortages and price increases in Congo. Limited financing inflows may delay investment projects.	Step up efforts to improve the quality of public spending and priorities, as well improve investment planning and resource management. Stocks/inventories management and improve distribution mechanism.
Country-specific risks			
Widespread social discontent and political instability. Social tensions erupt as the pandemic and inadequate policy response cause economic hardship (including unemployment, higher incidence of poverty, and shortages and higher prices of essentials) and exacerbate preexisting socioeconomic inequities. Growing political polarization and instability weaken policymaking and confidence.	Medium/ High	Medium/ High Protracted fiscal adjustments. Political uncertainty affects market confidence, private investment, and financing flows, delays economic and policy reforms, and weakens institutions.	Enhance targeted social policies and strengthen social safety nets. Maintain fiscal discipline. Improve governance, transparency and accountability and reduce corruption. Involve CSOs and other stakeholders in policy decisions.
Weak fiscal management. Fiscal policy without effective control of non-priority spending and lack of revenue mobilization and	Medium	Medium Insufficient prioritization of government spending, inconsistent arrears repayment, and an increase in public debt	Improve coordination between government ministries to ensure that spending is properly prioritized.

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

Appendix I. Letter of Intent

January 10, 2022

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
United States of America

Madame Managing Director:

1. The Republic of Congo (RoC) continues to face significant economic and health-related challenges. Our country is being hard hit by the global pandemic, especially the latest wave of the pandemic, at a time when our fiscal position is weak and debt levels are elevated. Volatile oil revenues and weak oil production in 2021 added to these pressures, while the economy is still recovering from the adverse impact of low oil prices in 2020. Nevertheless, the economy is showing signs of recovery owing to the lifting of lockdowns, the vaccine rollout, increased social assistance and domestic arrears repayments. This trend could be reinforced by an improved outlook for oil prices and production in 2022. However, this recovery remains fragile as the outlook is surrounded by significant uncertainty and poverty has been exacerbated by the pandemic and its broader economic impact.

2. We have made progress in recent years towards improving macroeconomic stability—including the recently restored debt sustainability—largely owing to our efforts to restructure external commercial debt, implement fiscal consolidation, and repay external and domestic arrears while benefitting from higher oil prices. Nevertheless, substantial challenges lie ahead with an uncertain economic outlook, the pressing need to create jobs for a fast-growing population through economic diversification away from oil, and building resilience to climate change.

3. Our new National Development Plan (NDP) 2022–26 outlines our strategy to tackle these challenges and achieve higher, more resilient, and inclusive growth. To ensure successful implementation of our NDP 2022–26 and its underlying structural reforms, support from our development partners is critically needed.

4. Against this backdrop, we are requesting a new arrangement under the Extended Credit Facility (ECF) for a period of three years and in an amount equivalent to SDR 324 million (or 200 percent of our quota) with the first disbursement equivalent to SDR 64.8 million (or 40 percent of quota). This financial support would help us address our immediate and protracted balance of payments needs (totaling $1.1 billion) and support our reform agenda which will contribute towards gradually reducing external financing needs.

5. Specifically, this new arrangement will aim to provide a solid macroeconomic framework for the economic policies and reforms that we plan to carry out over the next three years, catalyze financing from other development partners, strengthen public institutions and good governance, fight corruption, and increase resources allocated to protecting the most vulnerable. The IMF's financing and capacity development will help strengthen the government's financial credibility and support sustained improvements in our external position and public finances. Combined with our efforts to strengthen governance, transparency, and anti-corruption, this support will lead to sustainable poverty reduction and more durable and resilient economic growth. The arrangement will be supported by regional CEMAC efforts to maintain an appropriate monetary policy stance and promote financial sector stability. This new program will strengthen our external sustainability and thus contribute to the CEMAC's regional stability efforts by accumulating one fifth of the region's projected NFA during 2022–24.

6. The attached Memorandum of Economic and Financial Policies (MEFP) sets out the economic and financial policies that the government intends to implement during 2022–24. It also establishes quantitative performance criteria and indicative targets as well as structural benchmarks and reforms until the end of 2022. The disbursements under the new arrangement will be subject to compliance with the performance criteria, structural benchmarks, and prior actions shown in tables 1, 2, and 3 of the attached MEFP.

7. We commit to ensuring the appropriate use, monitoring, and reporting of COVID-19 related expenditures and the recent increase of our SDR allocation which will be used for social and priority spending in accordance with the framework adopted at CEMAC sub-regional level (especially in education and health). We benefitted from the G20 Debt Service Suspension Initiative (DSSI) to address our immediate liquidity needs and will continue to provide information requested by the G20 such as on monitoring the use of resources freed by the DSSI to address the pandemic.

8. We are also committed to closely coordinate economic policies with the other CEMAC countries as part of a regional reform program. These reforms aim to create employment opportunities and improve the living standards of our fast-growing population, including through (i) deep structural reforms to radically transform and diversify the region, (ii) continued support for regional institutions and reduced dependence of CEMAC countries on natural resources, (iii) improved transparency of public finances and in the oil and gas sector, (iv) strengthened revenue mobilization, (v) support for solid governance and (vi) implementation of business-friendly reforms.

9. We believe that the economic and financial policies set out in the MEFP will enable us to achieve the objectives that we have established as part of this program, However, we stand ready to take any further measures that may prove necessary to meet these objectives. The government will consult with the IMF while adopting these measures and before revising any policies contained in the MEFP, in accordance with the policies on such consultations.

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

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

Attachments:

– Memorandum of Economic and Financial Policies (MEFP)

– Technical Memorandum of Understanding (TMU)

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

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

I. BACKGROUND, RECENT ECONOMIC DEVELOPMENTS, AND OUTLOOK

1. The COVID-19 pandemic and ensuing oil price shocks have taken a deep toll on the Republic of Congo's economy. The pandemic's humanitarian and economic weight (including lockdowns, hampering of trade and services, reduced oil field investments) combined with a 40 percent decline in international oil prices in 2020 have worsened the on-going economic recession since 2015—with real GDP growth having contracted 8.1 percent in 2020.

2. Despite some improvement, economic conditions remained difficult in 2021.

- Real GDP is expected to have contracted by 0.2 percent in 2021. Positive non-oil economic growth (projected at 0.9 percent) was supported by the easing of lockdowns, gradual vaccine rollout, the lagged effects of pandemic-mitigating economic measures, substantial domestic arrears payments, agricultural and mining expansion, large companies substituting locally-sourced input in place of imported inputs, and improved services activity. However, new waves of the pandemic created some headwinds and oil production is anticipated to have contracted by 2.9 percent in 2021 largely due to insufficient investment in oil fields during 2020 preventing production from restarting in 2021. Notably, the government is also in the process of negotiating a new regime of tax concessions with oil producers.

- Inflation remains subdued, expected to average 2.1 percent in 2021. Credit growth is expected to have remained low at 0.6 percent in 2021—reflecting both low credit demand in these uncertain times and increased liquidity of households and companies from domestic arrears payments and regular payment of public salaries. Non-performing loans are declining (17 percent at end-June 2021), helping to reduce banking system vulnerabilities.

- The current account surplus is projected at 13.4 percent of GDP for 2021, owing to high oil prices that boosted exports (despite the decline in production). Imports also rose in 2021 due to higher import prices but the volume of imports was lower than in 2020 as pandemic-related import contraction continued.

3. The fiscal position improved in 2021 owing to higher oil revenues and greater control of public spending under the revised budget adopted in August 2021.The primary balance is expected to have increased from 0.2 percent of non-oil GDP in 2020 to 5.7 percent of non-oil GDP in

2021 (or from 0.1 percent of GDP in 2020 to 3.6 percent of GDP in 2021). Improved oil and non-oil revenues supported increased spending on social assistance, healthcare, education, and infrastructure, and continued significant domestic arrears payments. Reforms in transfers and subsidies to inefficient state-owned enterprises (SOEs) also continued to be implemented. The payroll increased slightly, as the hiring of 2,239 new teachers (initiated in 2020) continued in 2021.

4. Debt sustainability has been restored.

- Our strategy, which consists of restoring debt sustainability through external debt restructuring and repayment of domestic arrears, is already yielding tangible results. Since its initiation in 2019, the strategy has resulted in (i) restructuring of debt contracts with China (in 2019) and two large private external commercial creditors (in 2020 and 2021); and (ii) clearance of more than $3 billion (20 percent of GDP) in external arrears.

- Near term liquidity needs are also being supported by the G20 Debt Service Suspension Initiative (DSSI), where we have received relief of $386 million from Belgium, Brazil, China, France, India, Kuwait, Saudi Arabia, and Turkey during 2020–21. The government remains committed to devoting the resources freed up by this initiative to increasing spending to mitigate the health, economic and social impact of the COVID-19 crisis.

- The government is still in the process of concluding a restructuring agreement with the remaining large private external commercial creditor, where the creditor's underlying lenders have not yet approved the agreement in principle (AIP) negotiated in early 2021 (technically the AIP has now lapsed). Until this agreement is concluded and pending arrears are cleared, we acknowledge that our debt is classified as "in distress".

- Continued steady repayment of domestic arrears is anticipated to result in their full repayment by 2031.

5. Economic recovery is expected to gain traction in the coming months. Projected GDP growth of 2.4 percent in 2022 is supported by a stepped up vaccine rollout, increased social spending, continued domestic arrears repayments and expansion of agriculture, mining, and services. Headwinds from new waves of the pandemic are expected to subside by 2022H2. Oil production is also anticipated to rise with the resumption of investment in the oil sector. Moreover, negotiations over tax concessions with oil producers are also expected to conclude in 2022, thus removing an element of uncertainty in producers' investment decisions.

6. Over the medium term, growth is projected to average 3.2 percent. The momentum in non-oil economic growth will continue growing, as the government pursues reforms to diversify the economy away from oil dependence and strengthen the economy's resilience to climate shocks. In this context, the government plans to increase spending on education, healthcare, and resilient infrastructure; and step up complementary structural reforms spanning a wide range of areas such as governance, financial sector, business environment, and digitalization of services. Oil production is expected to peak at 125 million barrels in 2024, given new investments will be modest against the backdrop of reduced long-term global oil demand. In the run up to 2024, the current account balance is expected to deteriorate in line with increased oil- and non-oil investments, though the effect will be partly offset by improved non-oil exports (associated with economic diversification). Subdued inflation is projected to continue, rising from 2.7 percent in 2022 to 3 percent by 2026.

7. **Risks are titled to the downside.** A possible spread of new variants to Congo, slow vaccine rollout, or poor vaccine resistance to variants could set back economic recovery—especially if another round of strict lockdowns is required. Rebound of the non-oil economy also depends on successful implementation of reforms and the pace of domestic arrears payments. Adverse weather conditions, intensified by climate change, could weigh on agricultural production resulting in food insecurity and inflationary pressures. Oil revenue prospects will depend on oil prices and production risks. On the upside, accelerated structural reform implementation could boost investor and development partner confidence—potentially unlocking external financing—and higher metal prices could increase mining investments.

II. ECONOMIC AND FINANCIAL PROGRAM FOR 2022–24

8. **The government is committed to implementing a strong and ambitious economic program that will facilitate Congo's exit from fragility.** The past seven consecutive years of recession have weighed heavily on incomes and inequality and further challenges lie ahead as we are faced with more frequent and intense climate change shocks and reduced long-term global oil demand stemming from the global transition to low-carbon economies. Tackling these challenges and exiting fragility will require a fundamental economic transformation, centered around economic diversification and resilience to climate change, that results in more jobs and higher, more resilient, and inclusive growth.

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

A. Fiscal Policy

10. **Fiscal policy will carefully balance safeguarding debt sustainability while increasing spending that is critical to reducing inequality and boosting economic diversification and resilience.**

- The medium-term fiscal stance will be anchored on gradual consolidation of the non-oil primary balance by 4 percent of non-oil GDP (or 1 percent of GDP) during 2021–26. Oil revenues are anticipated to result in positive overall primary balance surpluses that will enable repayment of both external debt and domestic arrears. Overall public debt-to-GDP is expected to decline from 110 percent in 2020 to 94 percent in 2021 and to 72 percent by 2026.

- Risks, including from negative oil price shocks, are largely mitigated by the restructured payments to the largest external commercial creditor being tied to oil prices (supporting the robustness of debt sustainability); and the availability of financing from the Congolese and CEMAC regional financial markets.

- Recently, we concluded an agreement on arrears payments to Switzerland. Agreements have been reached, with signatures expected shortly, on arrears payments to Belgium (not covered under the DSSI amounts above), India (for arrears not covered by the DSSI), Libya, and Russia. The government is committed to the non-accumulation of any new domestic or external arrears. To this end, we will (i) set up a dedicated sub-account within the single treasury account at BEAC and discuss with development partners (AfDB, France, and World Bank) ways to ensure their disbursements are timely; and (ii) ensure that spending is undertaken in accordance with the rules governing sound public financial management, with a view to stopping the practice of procuring outside the budget (¶16).

- The government will continue efforts to bring to finality and reach settlements in respect of disputed external debts with the aim of eliminating all uncertainties concerning the level of our public debt.

11. Our draft 2022 budget, approved by Parliament in mid-December 2021, envisages fiscal consolidation while increasing social and capital spending. The non-oil primary balance target is -15.7 percent of non-oil GDP, which translates into a primary balance target of 4.8 percent of GDP. The 2021 IMF SDR allocation will help finance the budget, which rests on the principle of mobilizing revenues and rationalizing non-priority spending by:

- Continuing to firmly apply tax policies and revenue administration reforms adopted over the past two years. These include more efficient tax collection owing to e-tax and other customs and revenue administration measures; increase excise taxes on tobacco (16.5 to 30 percent; was recently increased from 12.5 to 16.5 percent) and alcoholic beverages (12.5 to 25 percent; was recent increased from 10 to 12.5 percent), vehicles (12.5 percent) and luxury items (25 percent)—all in line with CEMAC guidelines; the implementation of a one-stop-shop for customs clearance of goods at the port of Pointe-Noire; continuing to phase out CIT exemptions for violating investment conventions; continuing to apply the 2 percent export tax on certain non-petroleum exports (e.g., diamonds, other precious metals (up to 4 percent) and logs (up to 9-10 percent)).

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

- Gradually phasing out pandemic-related deferral of tax and duty payments (yielding CFAF 2 billion in 2022); and the tax base for land tax will be expanded through the use a more comprehensive land survey (yielding CFAF 2 billion in 2022).

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

- The government will continue to actively pursue negotiations with oil producers on new conventions for tax concessions and expect to finalize them in 2022Q2. We are seeking to maintain import duties at 8.65 percent on certain imports associated with the petroleum sector and to introduce the single payroll tax at 2.5 percent for the petroleum sector. In addition, we will increase electronic transfer taxes and turnover taxes.

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

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

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

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

- Moreover, to promote transparency, we commit to monitor and report on the usage of the 2021 SDR allocation.

12. The government is committed to increasing spending on health, education, social assistance, and resilient infrastructure. The 2022 budget will continue to emphasize improving the quality and coverage of this spending while encouraging innovation.

- In terms of health, we will prioritize (i) direct pandemic-related health spending, including treatment (creating new facilities and purchasing more equipment such as ventilators) and vaccination—where we plan to vaccinate 3,600,000 people during 2022; (ii) completing the construction of new hospitals; (iii) acquiring drugs against AIDS; (iv) distributing treatments preventing tuberculosis and malaria; and (v) providing prenatal, maternal and childcare. Total health spending is expected at around 4 percent of non-oil GDP in 2022 (a slight improvement compared to 2021).

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

- In terms of social protection, we will disburse CFAF 183 billion (4.2 percent of non-oil GDP), including the emergency cash transfer program linked to the pandemic, where the program's coverage will be increased from 230,000 beneficiaries to 330,000 by the end of 2022; and we will continue to expand the Single Social Register (SSR), which has already reached 800,000 beneficiaries. The anchoring of social programs and other social assistance structures to SSR has become mandatory in order to improve targeting and the impact of these programs. The piloting of mobile payments has so far been successful and we plan to expand the pilot. We will also prioritize early repayment of social sector arrears (in particular pensions).

- Capital spending is expected to increase to 7.3 percent of non-oil GDP in 2022 and to 7.6 percent of non-oil GDP in 2023, partly financed by development partners. Priority development projects will be aligned with the new National Development Plan 2022–26. The sectors of agriculture (including agroforestry), roads, electricity, health care, education, and urban water, sanitation, and transport will be prioritized. In addition, efforts to build a solid foundation for the structural transformation of our economy will lead to the pursuit of programs to promote tourism, industry, the digital economy and special economic zones.

13. The government will continue to steadily repay domestic arrears, aiming to complete all repayments by end-2031. Over the past decade, the government accumulated 23 percent of GDP in domestic arrears to the private sector (mainly suppliers). On-going audits (by an international firm) of the government's domestic debt associated with Treasury obligations for 2019–20 will add to this stock. The government will publish (on the government website) the audit report for 2017–18 by end-March 2022; and the audit report for 2019–20 by end-2022. So far, 6 percent of GDP in past domestic arrears have been repaid through the Club de Brazzaville, where the private sector received a nominal haircut of 15–30 percent and there was no haircut on social arrears. In 2022, we will no longer use the Club de Brazzaville. The government will settle at least CFAF 200 billion for domestic arrears—paying CFAF 60 billion in social arrears, CFAF 1 billion to resolve any remaining arrears to small suppliers, and the rest to pay a part of other commercial arrears. These domestic arrears payments will depend on the availability of finances, where the bulk of these arrears are planned to be paid in 2022H2. From 2023, for non-social sector arrears, a new repayment scheme will be introduced, which could offer a menu of repayment options ranging from a 60–70 percent haircut and immediate cash payment to a 25–35 percent haircut with payment in 2–4 years. This new repayment scheme is still being developed and will depend on availability of financing.

14. Over the medium-term, we plan to continue pursuing the fiscal strategy outlined above (¶11–14)**.** Specifically, we will aim to reduce the non-oil primary fiscal deficit from 17 to 13 percent of non-oil GDP during 2021–26. In support of this objective while also increasing social and capital spending, during 2022–24, we will undertake the following measures to enhance revenues and reduce non-priority spending (in addition to continuing the measures applied in the 2022 budget):

- We will actively continue to pursue collection of tax arrears. To this end, we are committed to undertaking an inventory of all tax arrears in order to identify with precision the probable amounts of recovery by end-2022 (structural benchmark). For the future, we are committed to putting in place effective procedures for monitoring tax arrears and for their systematic collection. By capitalizing on the benefits of digitalization on revenue administration, we expect to reduce delays in tax payments.

- Broaden the tax base by applying the enterprise census (expected to be concluded in 2022).
- Remove VAT exemptions worth at least 1 percent of non-oil GDP and streamline other tax expenditures worth at least 3 percent of non-oil GDP. As an initial step, we will develop a medium-term strategy and action plan that covers their analysis, publication, and budget implications (end-June 2022). We will also undertake an analysis of CIT exemptions under the investment conventions by end-December 2022, with a view to phasing them out beginning in 2023.
- Ensure full functioning of the new department in charge of collecting service and portfolio revenue by the end of June 2023, at the latest. With assistance from the World Bank, implement customs reform resulting in a one-stop customs window at Pointe Noire by June 2023.
- Transfers and subsidies to SOEs will continue to be reduced and we will continue to augment the transparency of SOE operations.
- To better understand medium-term fiscal risks, identify vulnerabilities, and facilitate monitoring, an expanded analysis of the financial status of decentralized government units and public enterprises—including all SOEs, PPPs, and public banks—will be completed by end-September 2022.
- At any time during 2022–24, should revenues (including from oil) fall short or other fiscal risks are realized, we will slow arrears repayments. In contrast, should oil revenues or net external assistance exceed expectations, half of the surplus will be used to strengthen government deposits at the BEAC. The rest of the surplus will be applied toward social spending, domestic arrears payments, compensating for shortfalls or delays of external financing, and building buffers against future shocks.

B. Public Investment and Debt Management

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

- We will only procure projects that are in the budget. To this end, we will develop a comprehensive template for consolidated and sectoral public procurement plans by end-June 2022 (structural benchmark), roll the template out to ministries and agencies in 2022Q3, and map the filled-in template to the 2023 budget by end-2022 (structural benchmark). The budget law for 2023 will explicitly state that procurement cannot take place outside the template, with the exception of emergency items that are approved by the Minister of Finance before the procurement is initiated.

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

- We will improve the efficiency of public investment implementation, especially given large infrastructure spending needs. Here, among other efforts, we will review the survey on the efficiency of past investment projects (those launched since 2014), which was supported by the World Bank; and we will create an action plan to improve the effectiveness of public investment.

16. The government will advance prudent debt management and efforts to improve debt transparency in order to help enhance debt sustainability.

- While the government has concluded and is implementing debt restructuring agreements with two out of three of our main oil traders, we will aim to conclude debt restructuring with the remaining oil trader. Repayment of arrears to this oil trader, which were accumulated as part of the negotiation process, will be part of the restructuring agreement.

- By end-July 2022, we will develop a comprehensive medium-term debt management strategy covering 2023–25 which aims to (i) finance the needs of the State at a lower cost while maintaining risks at acceptable levels; and (ii) contribute to the development of the domestic market for government securities (structural benchmark).

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

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

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

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

- The government will exclusively use concessional external loans for the duration of the program—except the low-interest and extended maturity budget support loans from the World Bank (IDA)—and the government will seek refinancing in regional and national markets for previously issued securities and to cover very short-term liquidity needs.

- Neither the central government nor parties acting on behalf of the central government will contract any new external debt guaranteed with future natural resource deliveries—including any new oil-for-infrastructure pre-financing agreements.

- We also pledge to continue fiscal consolidation efforts should further debt or contingent liabilities materialize.

C. Safeguarding and Improving Use of Energy Resources

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

18. After carrying out a feasibility study, the government will take measures aimed at the application of "true" oil prices in the "fuels" sector, with a view to reducing subsidies to CORAF and CEC. It will also publish the audit reports of these two companies for year n, before the end of year n+1. Payments to the oil sector, which include CORAF and CEC, will be limited to CFAF 77 billion in 2022, which is less than CFAF 85 billion in 2021. To this end, the government has:

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

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

19. The government will develop an action plan for the next phase of reforms aimed at reducing transfers and subsidies. Key elements will include: (i) a study to determine production costs; (ii) improving the electricity billing process and coverage to reflect actual electricity consumption with a view to recovering production costs; (iii) implementing the 2005 price-based regulatory framework for fuel prices and ensuring sufficient social assistance to mitigate the impact on vulnerable groups; and (iv) enforcing full payment by CORAF for the oil it purchases from the government and full payment of dividends by large SOEs such as the Société Nationale des Pétroles du Congo (SNPC).

20. To improve transparency and revenues in the oil sector, the government will:

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

- Continue to have audits (conducted by internationally renowned audit companies) of the petroleum costs declared by petroleum companies under their respective production-sharing agreements.

- Conduct a comprehensive review of the oil sector fiscal regime by end-September 2022, develop an action plan to raise oil-related fiscal revenues by end-November 2022, and seek to incorporate some of these measures in the 2023 budget. The action plan will aim to: reduce the deficit in the downstream oil sub-sector; (ii) develop a pricing policy for petroleum products while protecting the most vulnerable; (iii) improve the performance of CORAF with a view to reducing public subsidies in the downstream oil sub-sector; and (iv) estimate gains arising from the elimination of preferential VAT rates on imports under agreed investment conventions, improved implementation of VAT on domestic and imported refined petroleum products (where the legislation is only partially applied) and broadening the base to which VAT on refined petroleum products is applied (i.e., expanding it beyond the services portion of the production chain).

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

D. Public Financial Management and Governance Reforms

21. The government will continue to implement reforms to improve public financial management and management of fiscal risks.

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

- By end-March 2022, with IMF technical assistance provided in November 2021, the government will develop a new medium-term strategy for PFM reforms (building off an existing draft strategy) with a comprehensive 3-year action plan, updated every 18 months, that will provide a roadmap for future reforms, including a comprehensive timetable of actions and reforms (structural benchmark).

- By end-December 2022, we will develop a legal and regulatory framework for public private partnerships (PPPs) that is consistent with international best practices.

- To improve budget execution, in line with CEMAC regulations, a committee will monitor, update, and coordinate the application of the cash flow plan with the consolidated commitment plan based on the budget (and, from 2023, with the comprehensive procurement plan and template). This committee will include only representatives of the Ministry of Finance and it will be operationalized by end-January 2022; and will meet on a weekly basis to update the Treasury's cash flow plans and on a monthly basis for all other matters. We will also ensure that the commitment plan and the cash flow plan are consistent and that all ministries, under the supervision of the General Budget Directorate, provide their procurement and commitment plans, thus improving reliability of the cash flow plan.

- We will implement the new organizational chart of the Ministry of Finance by end-January 2022. The general directorates of Treasury and public accounting have been combined. As a next step, we will update the associated regulatory and legal framework and create a modernization unit.

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

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

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

23. To ensure full transparency of emergency spending during the pandemic, the government continues to commit to the following measures. We will (i) post on the government website the full text of all procurement contracts related to COVID-19 spending (with names and nationalities of beneficial owners of awarded legal persons) within 45 days of their award for contracts awarded after December 31, 2021; and (ii) by end-March 2022 for all contracts awarded before December 31, 2021. We will undertake and post on the government website ex-post reports on the delivery of COVID-19 related contracts, within 90 days of completion dates (where completed after December 31, 2021) and by end-March 2022 (for all spending completed by December 31, 2021). We will hire a reputable third-party internationally renowned audit company to audit all COVID-19 related purchases and expenses contracted in fiscal years 2020 and 2021. We have formulated and agreed on the terms of reference for the audit, in consultation with IMF staff, and we have published the call for tenders to select the audit firm (prior action). The audit results for 2020 will be posted on the government website by end-June 2022 (structural benchmark); and those for 2021 will be posted by end-December 2022. The audits will focus not only on the financial aspects of procurement, but also on compliance with applicable procurement regulations.

24. We recognize that in order to produce sustainable and inclusive growth of our economy, it is essential for us to continue to improve governance and transparency while combatting corruption. The government has already taken bold and significant steps to address significant and substantial governance weaknesses and corruption vulnerabilities. These include the conclusion, in consultation with Fund staff, and publication of a comprehensive diagnostic report on governance and corruption, the reinforcement of our anti-corruption legal architecture, and steps to improve governance in the oil sector. We have also begun to comprehensively improve transparency and our commitment to transparency will help to address corruption vulnerabilities, which constitutes a necessary precondition to improving the business climate. To better guide our future efforts to break with the past and improve governance, we will by July 2022 conduct analysis of the implementation of measures committed to in our 2018 diagnostic report and identify areas for further improvement.

25. We have substantially improved our anti-corruption architecture. In consultation with Fund staff, we have drafted a new anti-corruption law and, as a prior action, we have submitted it to Parliament. This new law better aligns with our obligations under the United Nations Convention Against Corruption (UNCAC), in particular in relation to the criminalization of corruption offences, and other international obligations undertaken by Congo. By end-March 2022, the law will be enacted and we will publish the decree dealing with the conflict-of-interest rules and procedures envisaged in the anti-corruption law, where the decree will fully comply with the requirements of the UNCAC (structural benchmark). Our new anti-corruption commission, the High Authority for the Fight against Corruption (HALC), is now operational. We are committed to ensuring its full independence, and to making sure that it receives the necessary budgetary allocations to perform its functions. We will publish all reports of the HALC on the government website within 5 days of their provision to the government. We will also ensure that full statistics in respect of the work of the HALC are published on a quarterly basis on the government website, and the Ministry of Justice will publish, on a quarterly basis, statistics of all indictments and convictions for corruption-related offences. To develop a comprehensive jurisprudence, the full text of all judgments in corruption related cases will be published within 30 days of the judgment.

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

27. The government is making strides in advancing transparency.

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

- We are fully transparent in relation to our internal and external evaluation reports. This is evident from our publication of the 2018 report of the Extractive Industries Transparency Initiative (EITI) and, as a prior action, our recent publication of the EITI report for 2019.

- By end-January 2022, we will publish on the government website: all final reports of the Inspection General of Finance (IGF) for the period 2011-2020; all final reports of the National Accounts Commission (CNC); a list of companies and public institutions that have not provided appropriate access for carrying out audits, as well as those that are slow in meeting their financial obligations to the CNC; and the list of companies and public entities that are not under the purview of the CNC.

- We will ensure that the organic law for our supreme audit institution (Cour des Comptes) and all necessary implementing regulations are in place by end-April 2022, and that all reports finalized by the Cours des Comptes are published on the government website within 30 days of being finalized.

28. The government supports the widespread dissemination of information on court proceedings and the functioning of law enforcement institutions. To this end, from end-January 2022, we plan to publish on the official website (i) for each court (magistracy), the number of sitting judges, the staff in office and the number of vacant positions, and for each service (prosecution), the number of prosecutors and staff, as well as the number of vacant posts; (ii) the number of cases relating to corruption, AML/CFT, insolvency, foreclosures and land for 2015–20; and (iii) all decisions of the Supreme Court.

E. Broader Structural Reforms

29. We recognize that economic diversification and adaptation to climate change are fundamental to achieving an economic recovery with higher, more inclusive, and resilient economic growth, and one that will result in higher job creation. To this end, we are in the process of adopting a new National Development Plan 2022-26 that is consistent with these objectives and that incorporates the Sustainable Development Goals (SDGs) and those of Agenda 2063 for the development of Africa. In addition, it will account for the recommendations of the CEMAC economic and financial reform program (PREF-CEMAC) relating to the structural transformation of national economies within CEMAC. Finally, we will strive to continue expanding and improving basic infrastructure through the following strong measures:

- Implementing reforms are based on the economic and financial reform program for the CEMAC zone (PREF-CEMAC).

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

- Raising access and affordability of energy. In addition to the reforms in ¶20, we will improve rural electrification through use of solar and wind energy.

- Improving the business climate and external competitiveness, including by removing trade barriers, improving contract enforcement, insolvency procedures, and investor protection. For example, by end-June 2023, we will (i) computerize and publish the company register; and (ii) publish a complete inventory of fiscal charges (and parafiscal charges) applied to businesses, formal and informal. The government (i) will create a national real estate registry; (ii) simplify procedures and reduce business creation costs; and (iii) reform administrative costs in order to facilitate cross-border trade.

- We are also committed to not applying import restrictions for balance of payments purposes, in line with the standard practice in all Fund arrangements.

30. We will also strengthen financial sector resilience and broaden access to finance, which will support macroeconomic stability, economic diversification, and resilience-building. By end-June 2022, the government will work with BEAC and COBAC to build a roadmap to raise financial inclusion based on the recent BEAC and COBAC initiative. To support these efforts, the government will adopt a law regulating factoring and leasing in compliance with local and regional regulations guided by BEAC and COBAC. The government will also continue to strengthen the legal and judicial systems' ability to address financial litigation. Financial stability will benefit from the reduction in non-performing loans as domestic arrears clearance progresses (¶14). We will also continue to closely monitor the solvency and liquidity indicators of the banking system and develop restructuring plans for two fragile banks.

F. Strengthening Statistical Capacities

31. The government will prioritize improvement of public statistical databases. The Ministry of Economy and Planning is implementing a plan to improve data collection capacities and ensure the regular publication of useful and high-quality statistics for the development of public policies. Considerable improvements have been made to the quality of annual national accounts statistics with the assistance of the IMF. These include the release of new annual national accounts according to the SNA 1993 methodology, with an updated base year of 2005; release of a rebased consumer price index; and the preparation of quarterly national accounts to be released by end-January 2022. On demographics, we have made progress on a general population and housing census, which will be completed shortly. A 1-2-3 survey on household living conditions and a demographic and health survey was launched with the funding from the World Bank.

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

G. Funding of the Program

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

H. Program Monitoring

34. The program is subject to semi-annual monitoring by the IMF's Executive Board on the basis of quantitative criteria and indicators, structural benchmarks, and prior actions as indicated in Tables 1, 2, and 3 attached. These criteria and indicators are described in the attached Technical Memorandum of Understanding (TMU), which sets out quantitative performance criteria and reporting requirements under the ECF arrangement. The first semi-annual review will be based on data and performance criteria at end-February 2022 and should take place after April 15, 2022. The second semi-annual review will be based on data and performance criteria at end-June 2022 and is expected to take place after October 15, 2022.

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

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

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

	Type of criteria	End-Feb 2022 PC Program	End-Mar 2022 IT Program	End-Jun 2022 PC Program	End-Sept 2022 IT Program
Floor on basic non-oil primary budget balance[2]	PC	-128	-159	-309	-451
Ceiling on net domestic financing of the central government	PC	168	210	289	449
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3]	PC	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,4,5,7]	PC	0	0	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,6]	PC	0	0	0	0
Floor on non-oil revenues	IT	96	120	289	480
Floor for social and poverty-reducing spending	IT	61	76	152	228
Ceiling on disbursements of external loans for investment projects	IT	17	21	56	110
Ceiling on new concessional external debt contracted or guaranteed by the central government (US$ million) [4,7]	IT	15	19	37	56
Floor on repayment of domestic arrears accumulated by the central government	IT	16	20	30	80
Memo items: :					
Oil revenue[8]		161	201	439	699
Expected external budgetary assistance, net[9]		9	9	19	28
- BoP assistance (IMF-ECF)		51	51	102	102
- Budgetary loans and grants (excl. IMF)		9	9	19	28
- Change in non-program external arrears		0	0	0	0
Payments for current external debt service due after debt relief		127	159	318	476

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

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

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

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

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

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

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

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

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

Table 2. Republic of Congo: Structural Benchmarks

Measures	Target date	Status	Macroeconomic Rationale
Prepare a new medium-term strategy for PFM reforms, with a 3-year action plan, updated every 18 months.	End-March 2022		Improve the efficiency and transparency in the use of public resources.
Parliamentary approval of the new anti-corruption law and publication of the accompanying decree clarifying conflict of interest rules and procedures.	End-March 2022		Reduce corruption, improve governance, and protect public resources.
Publish on the government website the audit (by a reputable international audit firm) of COVID-19-related spending during 2020.	End-June 2022		Improve transparency and governance and protect public resources.
Publish on the government website oil reconciliation reports prepared by a reputable international audit firm and a table with all mining, forestry, and oil concessions holders.	End-June 2022		Improve transparency and protect public resources.
Prepare a template for consolidated and sectoral public procurement plans that is comprehensive and reflects international best practices.	End-June 2022		Improve public investment management, budget credibility and transparency, and cash management.
Prepare a comprehensive medium-term debt management strategy.	End-July 2022		Manage debt-related risks and support fiscal sustainability.
Fully operationalize the remaining modules (accounting, cash management, fiscal reporting, treasury, procurement) of the new Expenditure Tracking Software (SIGFIP).	End-December 2022		Improve transparency and governance and protect public resources.
Prepare an inventory of all tax arrears to identify them with precision and establish the probability of recovery.	End-December 2022		Improve tax administration and support domestic revenue mobilization efforts.
Operationalize the procurement planning template by mapping it to the 2023 budget.	End-December 2022		Improve management of public spending (including public investment), budget credibility and transparency, and cash management.

Table 3. Republic of Congo: Prior Actions		
Measures	**Status**	**Macroeconomic Rationale**
Submit the new anti-corruption law to Parliament.	Completed	Reduce corruption, improve governance, and protect public resources.
Agree on terms of reference for the audit (by a reputable international audit firm) of COVID-19-related spending during 2020–21, and publish the call for tenders.	Completed	Improve transparency and governance and protect public resources.
Publish on the government website the 2019 report of performance under the Extractive Industries Transparency Initiative (EITI).	Completed	Improve transparency and governance.

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) A floor on the basic non-oil primary balance;

(b) A ceiling on central government net domestic financing;

(c) A ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government;

(d) A ceiling on the nominal value of new non-concessional external debt contracted or guaranteed by the central government;

(e) 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) A floor on social and poverty reducing expenditure;

(b) A ceiling on disbursements of external loans for investment projects.

(c) A ceiling on the nominal value of new concessional external debt contracted or guaranteed by the central government.

(d) A floor on non-oil revenue

(e) A floor on repayment of domestic arrears accumulated by the central government.

6. Performance criteria (PC), indicative targets (IT), and adjusters are calculated as 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).

A. Performance Criteria

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

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

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

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

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

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

10. For the purposes of the ceilings on the contracting or guaranteeing of new external debt (concessional and non-concessional), external debt is any debt contracted or guaranteed by the central government in foreign currency, with the following exceptions: (i) commercial debts in connection with import operations having maturities of less than one year; (ii) debt management operations (DMOs)—defined as the repayment or refinancing of the principal of outstanding external public debts prior to or at their maturity dates, where the present value savings from DMOs will be determined by a positive differential between the grant elements of the newly issued debt instrument (taking into account all costs associated with the operation) and of the debt instrument it replaces, using the IMF Concessionality Calculator (https://www.imf.org/external/np/pdr/conc/calculator/default.aspx)—that result in a reduction of the present value (present value savings) of the overall public external debt and/or an improvement of the overall public external debt service profile; and (iii) all sources of budgetary loans identified in the program. For program purposes, BDEAC loans are considered as external debt. External debt contracted or guaranteed by the government is considered to be concessional if, at the date on which it was contracted, it included a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the nominal value and the present value (PV) of the debt, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[41] For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. For the purposes of the program, all sources of budgetary loans contracted from the World Bank that have a grant element that is less than 35 percent will not be included in the calculations of the ceiling on contracting new non-concessional external debt. For program monitoring purposes, external debt is considered to be contracted or guaranteed when

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

all of the conditions for it to enter into effect have been met, including approval of the arrangement by the government of the Republic of Congo (the Council of Ministers) or the legislative authorities, if required. Guaranteed debt refers to any explicit legal obligation incumbent on the government to reimburse that debt should the debtor default (whether the payments are in cash or in kind).

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

B. Indicative Targets

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

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

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

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

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

C. Memorandum Item Indicators

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

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

D. External Debt

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

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

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

III. ADJUSTORS

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

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

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

- *When total net external assistance and oil revenue exceed 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 government will be adjusted downward by half of the surplus. Half of the additional resources available for expenditure (i.e., one quarter of the of the amount by which net external assistance and oil revenue exceed program projections) must be used in the social sectors (for current and/or capital expenditure) and the rest to repay domestic arrears. The additional amount for net domestic financing (i.e., half of the of the amount by which net external assistance and oil revenue exceed program projections) will be used to strengthen government deposits at the BEAC (as opposed to repaying faster domestic debt). The floor on social and poverty reduction expenditure will be adjusted upward by the additional resources used 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.

- *When oil-related transfers exceed program projections by more than CFAF 30bn*, the floor for the basic non-oil primary balance excluding oil-related transfers will be adjusted upward by any amount in excess of the programmed oil-related transfers minus CFAF 30bn. The expenditure cuts must be applied as a priority outside of the social sectors. At a minimum, the ratio of social expenditure to total expenditure should improve as a result of such expenditure cuts. The floor on social and poverty reduction expenditure will be adjusted downward by cuts in expenditure in social sectors.

- *When total net external assistance and oil revenue 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. At a minimum, the ratio of social expenditure to total expenditure should improve as a result of such expenditure cuts. The floor on social and poverty reduction expenditure will be adjusted downward by cuts in expenditure in social sectors. If there are cuts in domestic arrears repayments, the floor on the repayment of domestic arrears accumulated by the central government will be adjusted downward.

IV. PROGRAM MONITORING AND REPORTING REQUIREMENTS

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

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

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

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

(Billions of CFA francs)

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

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

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

INTERNATIONAL MONETARY FUND

REPUBLIC OF CONGO

January 10, 2022

REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

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

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

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

The overall and external debt[5] of the Republic of Congo are classified as "in distress", pending finalization of debt restructuring agreements with one external commercial creditor and clearance of arrears, but debt is assessed as "sustainable". For the debt restructuring under discussion, an agreement in principle (AIP) was reached in early 2021 but was not approved by the creditor's underlying lenders and discussions continue. About 14 percent of the bilateral debt service due in 2021, including to China, has been rescheduled under the DSSI.

Restructured debt, fiscal discipline, higher oil prices, and improved debt management—including restricting new external financing to concessional terms—are projected to help all external liquidity and solvency indicators fall below the thresholds by 2026.[6] Oil price

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

[6] The composite index (CI), estimated at 2.31 and based on the October 2021 World Economic Outlook (WEO) update and 2020 World Bank Country Policy and Institutional Assessment (CPIA) data, indicate a weak debt carrying capacity for Congo.

assumptions (including relatively high medium-term oil prices) and projections of growth in the non-oil economy, coupled with increased debt service (tied to high oil prices), are expected to reduce the public debt-to-GDP ratio and support no new accumulation of domestic arrears. Nevertheless, there are major external and overall debt-related risks, as signaled by the PV of public debt to GDP indicator exceeding its benchmark until 2030 and the external debt-service-to revenue breaching its threshold through 2025. Even though the PV of public debt breaches its benchmark extensively, it is assessed as sustainable given that the liquidity risks are mitigated by i) the steady and significant declines in the relevant ratios going forward, ii) availability of financing from Congolese financial markets. Immediate liquidity needs in 2020–21 were also supported by the DSSI. The debt sustainability assessment is highly vulnerable to negative oil price shocks. Tighter conditions in regional markets (CEMAC banking systems) could be a downside risk if the government's financing needs exceed the current baseline projections. Going forward, the authorities are encouraged to continue pursuing fiscal consolidation, enact policies for diversification to reduce risks and prepare for reduced long-term oil production and demand, finalize the pending restructuring agreement, 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 but includes 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 and is the main source of non-central government debt. However, the debt of other state-owned enterprises (SOEs) and non-guaranteed debt of SNPC is not included in this analysis because of limited information on their debt and fiscal performance.[1] Staff will continue efforts to compile information on SOEs to improve the scope of the DSA, in line with guidelines under the revised LIC-DSF. Supported by the FY 2021 performance and policy actions (PPA) under the World Bank's Sustainable Development Finance Policy (SDFP), the authorities are making on-going efforts to address the limited coverage on SOE debt and financial performance. Efforts are also underway to centralize SOE debt information in a single debt database managed by the Congolese debt office and to include this information in annual debt reports. Technical assistance from the Fund and the World Bank is available to support these efforts, and preparation of a comprehensive debt management strategy is also part of the conditionality under the Extended Credit Facility Arrangement (ECF).
In terms of the social security system, there are two entities: (i) a more autonomous CNSS that collects contributions to pay retirees from both the private sector and public enterprises; and (ii) the Caisse de Retraite des Fonctionnaires (CRF) for public administration employees. Both are under the wardship of the Ministry of Labor. In the past the government "borrowed" from the CNSS and some public enterprises did not make their contributions to the CNSS. As of now, the consolidated government debt is around CFAF 200 billion to the CNSS. Domestic debt includes these "social arrears".

2. **Contingent liabilities are elevated and pose a risk.** The contingent liability stress test is customized to account for vulnerabilities associated with legally disputed claims of domestic arrears, non-guaranteed SOE debt, and litigated debt (Text Table 1). Non-guaranteed SOE debt is estimated at 27 percent of GDP, and under the stress test, it is assumed that one third of this amount could end up on the central government balance sheet (9 percent), while the rest can be paid through the liquidation of SOE assets. In addition, Congo's total PPP capital stock is estimated at 5 percent of GDP, with 35 percent of this stock assumed to end up on the government balance sheet under the stress test. Debt vulnerabilities are also affected by claims of domestic arrears that were rejected by an audit but are being legally contested (about 7 percent of GDP), newly rejected domestic arrears claims under the current audit (about 12¼ percent of GDP) that could be legally contested, and an external arrears claim of 2¼ percent of GDP which is currently being litigated (and not included in the debt stock), adding up to 21½ percent of GDP for other elements of government debt.[2] The contingent liability test is also calibrated to account for these potential risks to the public sector balance sheet.

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

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

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

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

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

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

BACKGROUND

A. Evolution and Composition of Public Debt

3. **Public debt in the Republic of Congo is expected to decline to 94 percent of GDP at end-2021 from 110 percent of GDP at end-2020.** The decrease in the debt-to-GDP ratio primarily reflects efforts by the authorities to remain current on scheduled debt service payments. Lower than forecast project loan disbursements (with infrastructure and development projects cancelled or delayed due to the pandemic) and delays in budget support limited new external financing; however, the rescheduling of debt service under the DSSI and the issuance of new domestic debt helped alleviate financing pressures.

- External debt decreased to 53 percent of GDP at end-September 2021 from 62 percent of GDP at end-2020. A large share of external debt is owed to China and Chinese companies (20 percent of GDP) and oil traders (12¼ percent of GDP, see Tables 1a and 1b). Under the proposed Fund-supported ECF program, the contracting of new external debt is restricted to be on concessional terms.

- Building on the progress made in clearing external arrears, the authorities participated in the G20 DSSI liquidity support. During 2020–21, US$386 million of arrears and debt service payments were covered under the DSSI provided by Belgium, Brazil, China, France, India, Kuwait, Saudi Arabia, and Turkey. The authorities continue efforts to resolve remaining bilateral and commercial arrears (including US$99 million of pre-HIPC bilateral and US$102 of pre-HIPC commercial arrears).[7] Recently, an agreement was concluded on arrears payments to Switzerland. Agreements have been reached, with signatures expected soon, on arrears payments to Belgium (not covered under the DSSI amounts above), India (for arrears not covered by the DSSI), Libya, and Russia. Moreover, $26 million in arrears to Chinese infrastructure companies were repaid in Q4 2020, and another $231 million (as of end-2020)

[7] Text Table 3 reflects external arrears as of end-June 2021.

in external commercial arrears were rescheduled as part of restructuring agreements reached with two external commercial creditors. The authorities are negotiating debt restructuring to resolve arrears of $536 million with one private creditor. Congo has $415 million of arrears to suppliers, of which US$293 million are part of a broader litigation case and US$102 million are pre-HIPC arrears for which the authorities have requested HIPC treatment. The authorities are also discussing resolution of remaining US$21 Million in arrears with 10 suppliers.

- Arrears to Saudi Arabia and Kuwait that arose at the start of 2021 due to technical reasons were fully paid in the second half of 2021. Besides these, no new arrears were accumulated during 2021.

- Domestic public debt decreased slightly from 48 percent of GDP at end-2020 to 46 percent of GDP at end-June 2021. Domestic debt at end-June 2021 involved borrowing from commercial banks (20 percent of GDP)—mainly in the form of bond issuances—commercial arrears currently (12 percent of GDP), statutory advances from the regional central bank (8 percent of GDP), and pension arrears and unpaid social benefits (6 percent of GDP).[8]

4. This debt sustainability analysis incorporates the impact of two restructuring agreements concluded with external private commercial creditors (oil traders). The restructuring agreement with one of these two creditors (a large oil trader) was signed in 2021Q1—this agreement includes a nominal haircut, a maturity extension, and an interest rate reduction. The restructuring agreement with the other of these two creditors (a smaller oil trader) was signed in April 2020—this agreement included a substantial nominal haircut on the stock of outstanding debt, a maturity extension, and resolution of US$61 million in external arrears. The DSA does not incorporate the agreement in principle (AIP) that was reached in early 2021 with another large oil trader but was not approved by its underlying lenders; instead, the DSA includes the original agreement (which was set to expire at end-2020) and repayment of arrears during 2022–25 (where the arrears were accumulated during 2020–21 in connection with debt restructuring negotiations).

[8] As the audits of 2019–20 government financials are expected to be finalized in early 2022, partially audited and not yet audited domestic arrears are not included in the 2021 debt stock but a projected amount of 6.2 percent of GDP is included in the 2022 debt stock projection.

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

PPG External Debt	Volume of New Debt in 2022	
	USD million	Percent
By Sources of Debt Financing	**136.5**	**100**
Concessional Debt, of which	**136.5**	**100**
Multilateral debt	105.0	77
Bilateral debt	31.5	23
Other	0.0	0
Non-Concessional Debt, of which	**0.0**	**0**
Semi-concessional	0.0	0
Commercial terms	0.0	0
By Creditor Type	**136.5**	**100**
Multilateral	105.0	77
Bilateral - Paris Club	31.5	23
Bilateral - Non-Paris Club	0.0	0
Other	0.0	0
Uses of Debt Financing	**136.5**	**100**
Infrastructure	0.0	0
Social Spending	0.0	0
Budget Financing	136.5	100
Other	0.0	0.0

Text Table 2b. Type of New External Debt

(Millions of USD)

By the Type of Interest Rate	
Fixed Interest Rate	105.0
Variable Interest Rate	31.5
Unconventional Loans	0.0
By Currency	
USD denominated loans	105.0
Loans denominated in other currency	31.5

Text Table 3. Republic of Congo: External Arrears Situation

	End-2020 stock			Increase(+) /Decrease(-) in 2021	September 2021 stock			Sep 2021 (Excl. unrestructured pre-HIPC arrears)		
	CFAF billion	USD million	percent of GDP	CFAF billion	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total	**744**	**1380**	**13**	**-30**	**714**	**1301**	**10.3**	**604**	**1099**	**8.7**
Multilateral and other creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFAD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AfDB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	119.9	222.4	2.0	-4.3	115.5	210.3	1.7	61.0	111.1	0.9
Paris Club	41.1	76.2	0.7	3.2	44.3	80.6	0.6	44.3	80.6	0.6
Brazil 1/	25.2	46.7	0.4	1.3	26.5	48.2	0.4	26.5	48.2	0.4
Belgium 1/	10.5	19.4	0.2	7.3	17.8	32.4	0.3	17.8	32.4	0.3
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	5.4	10.1	0.1	-5.4	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
Non-Paris Club	78.8	146.1	1.3	-7.5	71.2	129.7	1.0	16.7	30.4	0.2
United Arab Emirates	12.3	22.9	0.2	0.6	13.0	23.6	0.2	0.6	1.1	0.0
Angola	39.0	72.4	0.7	2.0	41.0	74.7	0.6	2.0	3.6	0.0
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India 1/	11.4	21.2	0.2	2.3	13.7	24.9	0.2	13.7	24.9	0.2
Kuwait	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.0
Saudi Arabia	0.0	0.0	0.0	0.3	0.3	0.6	0.0	0.3	0.6	0.0
Turkey	12.8	23.8	0.2	-12.8	0.0	0.0	0.0	0.0	0.0	0.0
Postal debt	3.1	5.8	0.1	0.0	3.1	5.7	0.0	0.0	0.0	0.0
Private Creditors	624	1157.6	11	-25	599	1090	8.6	543	988	7.8
CMEC and Chinese companies 2/	0	0.0	0	67	67	122	1.0	67.0	122	1.0
Eurobond (London Club)	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
Oil traders	396	734.1	7	-92	304	553	4.4	304	553	4.4
Suppliers 3/	228	423.5	4	0	228	415	3.3	172.1	313	2.5

Sources: Congolese authorities and IMF staff estimates.

[1] As of end-2021 arrears to Brazil (projected at $112 million) are expected to be treated under the DSSI. Part of the arrears to India are also expected to be treated under the DSSI and the rest through a payment agreement. Similarly, a separate agreeement has been reached, with signatures expected shortly, for arrears payments to Belgium that are not covered under the DSSI (projected at $36 million by end-2021).

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

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

5. **This debt sustainability analysis also incorporates the impact of the G20 Debt Service Suspension Initiative (DSSI).** Under the DSSI, the authorities obtained relief of US$98 million of debt service due to bilateral creditors between May and December 2020 (equivalent to 1 percent of GDP), that was rescheduled under NPV-neutral terms. Under the second phase of DSSI, an additional US$105 million of debt service was rescheduled. Under the final DSSI extension, an additional US$56 million of debt service was rescheduled. Despite a contraction in GDP, the authorities devoted the resources freed by this initiative to increased spending in order to mitigate the health, economic, and social impact of the COVID-19 pandemic. The DSA includes the rescheduling—according to published terms—of all eligible debt, with the exception of debt under the Strategic Partnership loans from China, which the creditors have not agreed to reschedule and for which the authorities have continued making repayments.

6. Weaknesses in public debt management and reporting remain. While the authorities published the terms of the 2019 debt restructuring agreement with China, operationalization of the agreement implied lower short-term liquidity relief than initially assessed. Moreover, the authorities continued accumulating excess deposits in the escrow account in China during 2020—though these have been eliminated in 2021. In addition, the emergence of a contested claim has increased the stock of contingent liabilities; this claim has been included in the ongoing audit of domestic arrears. Technical assistance in the areas of debt management and reporting is already underway in various areas of debt management and debt reporting in the context of the Multipronged Approach to Debt Management.

B. Macroeconomic Outlook

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

- Growth in 2020 was substantially lower than the pre-pandemic forecast in the 2019 Article IV, given the effects of the pandemic on oil production and the non-oil sector. As the recovery takes hold, growth is expected to peak at 6.5 percent of GDP in 2024, primarily on the back of increased oil production. Over the long-term growth will average 3.2 percent driven by declining oil production as oil reserves deplete.
- The government is implementing a vaccination program, expecting to cover 60 percent of the population by end-2022.
- A substantially weaker fiscal position emerged in 2020 compared to the pre-pandemic forecast (2019 Article IV), given pandemic-related spending needs and the effect of the recession on revenues. After the pandemic subsides, the authorities are assumed to continue implementing fiscal adjustment to restore long-term fiscal sustainability and support building of regional international reserves.
- Balance of payments (BOP) and budget support, other than ECF disbursements, are not expected until the second half of 2022 (Text Table 4). In 2020 and 2021, disbursements were lower than previously anticipated because of delays in both budget support and project financing, the latter related to the pandemic. The decline in disbursements beyond 2026 is in line with the authorities' commitment to pursue prudent external borrowing.
- The DSA assumes that Congo continues to obtain the bulk of new external financing on concessional terms in the medium term; the grant element increases progressively and averages 43 percent over 2027–29.[9] After 2029, new disbursements are assumed to become less concessional, bringing the grant element to about 27 percent over 2030–40.

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

Text Table 4. Republic of Congo: Projected Loan Disbursements

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total External Bilateral and Multilateral	**230**	**672**	**703**	**576**	**323**	**291**	**251**	**260**	**227**	**217**	**212**
Project Financing	**230**	**262**	**297**	**312**	**323**	**291**	**251**	**260**	**227**	**217**	**212**
Of which:											
Multilateral and other creditors	116	122	142	156	166	133	143	152	119	109	104
IMF	0	0	0	0	0	0	0	0	0	0	0
IDA	71	66	69	71	81	52	62	71	54	60	67
IBRD	45	42	52	63	63	59	59	59	49	39	29
Others	0	14	21	21	22	21	22	21	16	9	8
Official bilateral	114	140	155	156	157	158	108	108	108	108	108
Paris Club	50	37	50	50	50	50	0	0	0	0	0
France	50	37	50	50	50	50	0	0	0	0	0
Non-Paris Club	64	103	105	106	107	108	108	108	108	108	108
China	64	103	105	106	107	108	108	108	108	108	108
General Budget Financing	**0**	**411**	**407**	**264**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
IMF	0	281	95	95	0	0	0	0	0	0	0
Other Development Partners	0	130	312	168	0	0	0	0	0	0	0

Sources: IMF and WB staff calculations and projections.

Box 1. Main Macroeconomic Assumptions

- **Non-oil sector:** Non-oil real GDP is projected to grow only slightly by 0.9 percent in 2021, due to the continued impact of the pandemic and spillovers from low oil production (related to lower investments in the oil sector). In 2022, assuming the pandemic subsides, recovery of the non-oil sector is projected to take hold. Non-oil growth is projected to improve gradually to 4.8 percent by 2026 (averaging 4 percent during 2022–26), as investment recovers, the implementation of structural reforms bears fruit, (specially to protect and develop human capital and infrastructure and improve the business environment) and the economy diversifies in line with the commitments of the CEMAC Heads of State in August 2021.
  The CEMAC Heads of State have committed to implement priority structural reforms to allow stronger, more inclusive and more sustainable growth with an emphasis on improving the management of public funds and governance (e.g., improving the preparation of public investment projects, strengthening the financial oversight of SOEs), business environment reforms and regional integration as well as human capital (e.g. greater focus on primary health care, social protection, and improving market relevance of professional training). Beyond 2026, non-oil growth is projected to average 5 percent—somewhat lower than the historical average of 5.3 percent over 2008–17 but higher than the non-oil GDP growth in the 2021 Article IV framework—on the back of structural reforms and diversification efforts. Near-term downside risks are elevated given uncertainties related to the pandemic, low vaccination rates,1 and oil prices and production, but medium-term risks are balanced, as governance reforms and the implementation of efforts to diversify and build resilience to climate change are expected to support development of the non-oil sector. GDP is expected to slow down for a brief period between 2032 and 2036 due to reduced oil production and rebounds thereafter when non-oil growth spurred by diversification efforts starts to dominate the sharp decline in oil production.

- **Vaccination:** The government aims to vaccinate 60 percent of the population by end-2022—costing \$88 million (0.7 percent of GDP, Proposed ECF Arrangement Staff Report, Text Table 1). The World Bank and the African Union are coordinating to finance the EVAX scheme, covering one million people, with \$12 million in World Bank financing. China and Russia are covering 1.1 million people.

Box 1. Main Macroeconomic Assumptions (continued)

- **Oil production and prices** (applying October 2021 WEO projections): Oil production in 2021 remained subdued due to a slowdown in production owing to government efforts to collect taxes from the oil companies and the negative impact of the pandemic on oil production-related investments. Accordingly, oil production in 2021[2] was less than in 2020 but is expected to recover from 2022. Production is projected to peak at 125 million barrels by 2024 with new fields coming online and then to steadily decline to about 11 million barrels in 2041, barring new oil discoveries. High volatility of international oil prices and production uncertainties are substantial near-term risks; however, the contribution of oil to overall GDP, as well as exports and revenue, is expected to decline over the next 20 years, reducing long-term risks related to oil price volatility.
- **Inflation:** Overall inflation is expected to remain moderate, averaging 2.7 percent (y/y) in 2022; inflation is expected to gradually increase to 3 percent by 2023 and remain close to 3 percent over the long term, consistent with the CEMAC's convergence criteria of a 3 percent ceiling.
- **Current account balance:** A current account surplus of 13.4 percent of GDP is anticipated for 2021, up from a balanced current account (-0.1 percent of GDP) in 2020. The surplus is primarily linked to the rebound in global oil prices in 2021. The current account is projected to remain in surplus over 2021–23 given high oil prices and slow recovery in the non-oil sector. With the decline in oil production, the current account is also expected to be in deficit from 2024. The current account deficit is projected to average 2.2 percent of GDP over 2027–41, reflecting a long-term decline in oil production. Continued investment efforts as part of the diversification strategy will keep imports elevated, only partly offset by increased exports. Economic diversification continues to support projected GDP growth.
- **Fiscal policy aims to reduce the debt burden and support growth.** The Republic of Congo is a lower middle-income economy. Between 2015 and 2020, the real GDP growth rate averaged -5.3 percent following the decline in oil prices in 2014 and the country's heavy reliance on oil. The COVID-19 pandemic and the attendant oil shocks are bringing unprecedented pressure to bear on the economy. The 10.3 percent decline in real GDP per capita in 2020 raised the poverty rate from 48.5 percent in 2019 to 52.5 percent.

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

  Since the pandemic began, fiscal outcomes have been heavily impacted by changes in oil revenues, external financing for capital projects, and reforms in oil-related transfers. A sharp decline in oil revenues weighed on the primary fiscal balance in 2020 while reduced foreign-financed capital spending improved the non-oil primary balance. Oil revenues halved relative to 2019. Non-oil revenues fell less, with the impact of non-oil economic contraction and lockdowns (affecting tax collection) partially mitigated by revenue-enhancing measures, such as the introduction of electronic payments and a broadening of the tax base (owing to on-going tax administration reforms). During 2021H1 (relative to 2020H1), the primary balance was boosted by higher oil revenues and a lower non-oil primary balance. Non-oil revenues remained stable, supported by gradual increases in non-oil economic activity and revenue-enhancing measures adopted over the past two years. However, spending (net of interest payments) declined due

Box 1. Main Macroeconomic Assumptions (concluded)

to savings from continued reforms in oil-related transfers. The shortfall in grants was mirrored in reduced externally financed capital spending. After the pandemic subsides, the authorities are assumed to continue implementing fiscal adjustment to restore long-term fiscal sustainability and support building of regional international reserves. A 3.9 percent of non-oil GDP (1 percent of GDP) improvement in the non-oil primary balance during 2021–26 (based on adopted measures—outlined in the ECF-supported program—and their lagged effects) supports this strategy. To this end, diligently pursuing reforms under the program and the revenue and expenditure reforms initiated over the past three years will be critical.

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

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[1] As of November 17, 2021, 6.5 percent of the Congolese population have been fully vaccinated and 9.5 percent have been partially vaccinated (https://africacdc.org/covid-19-vaccination/).

[2] The slow 0.9 percent growth in the non-oil sector and a moderate decline in oil production in 2021 will translate into a slight overall GDP contraction of 0.2 percent in 2021.

8. **Realism tools flag risks around the forecast, but there are mitigating factors.** The fiscal adjustment-growth realism tool suggests that the projected growth path could be lower, but staff assesses the projected growth and the fiscal path to be realistic and with a low near-term fiscal multiplier since growth is essentially driven by oil sector developments. Risks, including from negative oil price shocks, are largely mitigated by repayments to the largest external commercial creditor being tied to oil prices, a gradual increase of government deposits at BEAC, and the availability of financing from Congolese financial markets. Further, in the long-term, with structural and governance reforms and after exiting fragility, access to international capital markets can be a source of financing. Moreover, over the medium and long term, economic diversification efforts are supporting economic activity. Improvements in the primary surplus (owing to oil revenues in the near- and medium-terms and sustained consolidation efforts) is the main driver in reducing debt, with real GDP growth also contributing marginally (Figure 3). The realism tools show a history of large unexplained increases for external and public debt due to borrowing from the CEMAC regional market being classified as domestic debt in the DSA but as external debt in the balance of payments' financial account.

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

	2019	2020	2021	2022	2023	2029	2037
New Loan Disbursements (billions FCFA)							
Current DSA			99	349	353	113	101
2021 Article IV DSA			98	118	127	125	117
2019 Article IV DSA	443	507	385	168	5	126	155
Grant Element of New External Borrowing (in percentage points)							
Current DSA			35.2	32.9	32.2	36.7	29.2
2021 Article IV DSA			35.8	36.6	36.8	38.9	30.1
2019 Article IV DSA	30.7	30.1	32.1	36.4	497.0	25.2	25.5
Primary balance (percent of GDP)							
Current DSA			3.6	4.8	3.6	8.5	-1.2
2021 Article IV DSA	7.9	0.1	2.9	5.3	4.1	2.5	1.2
2019 Article IV DSA	10.6	9.9	9.4	9.4	8.6	4.8	2.6
Real GDP growth (percent)							
Current DSA			-0.2	2.4	2.9	3.8	3.4
2021 Article IV DSA	-0.4	-8.2	-0.2	2.3	2.7	-0.8	2.9
2019 Article IV DSA	2.2	4.6	1.9	0.0	1.3	2.4	3.3
Current Account Balance (percent of the GDP)							
Current DSA			13.4	5.5	0.3	-2.1	-2.9
2021 Article IV DSA	0.4	-0.1	12.1	6.5	1.6	-8.9	-18.7
2019 Article IV DSA	7.9	5.8	1.2	-2.1	-2.5	-10.6	-16.3
Oil prices (US dollars per barrel)							
Current DSA			65.7	64.5	61.3	59.7	70.0
2021 Article IV DSA	61.4	41.3	66.2	64.7	61.0	58.7	68.8
2019 Article IV DSA	61.8	57.9	55.3	54.6	54.7	61.6	72.2

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

C. Country Classification and Determination of Stress Test Scenarios

9. **The composite index (CI) is assessed at 2.31 and is based on the October 2021 World Economic Outlook (WEO) and 2020 World Bank Country Policy and Institutional Assessment (CPIA) data, indicating a weak debt carrying capacity for Congo**. The methodology relies on computing a composite indicator (CI) based on information from the CPIA score, external conditions as captured by world economic growth, and country-specific factors, including import coverage of reserves. The Republic of Congo's low CI score indicates a weak debt carrying capacity, reflecting mainly a low CPIA score and a low level of foreign reserves (Text Table 6). The CI score is similar to that in the previous DSA, which is based on the April 2021 WEO data, and the debt carrying capacity is unchanged compared to the previous (2021 Article IV) DSA.

Text Table 6. Republic of Congo: Composite Indicator Score

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.706	1.04	45%
Real growth rate (in percent)	2.719	-0.856	-0.02	-1%
Import coverage of reserves (in percent)	4.052	30.562	1.24	54%
Import coverage of reserves^2 (in percent)	-3.990	9.340	-0.37	-16%
Remittances (in percent)	2.022	0.000	0.00	0%
World economic growth (in percent)	13.520	3.137	0.42	18%
CI Score			2.31	100%
CI rating			Weak	

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Weak	Weak 2.31	Weak 2.28	Weak 2.22

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

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

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

10. **The DSA considers commodity price, natural disasters, and market financing shocks.** Since oil exports represent more than 80 percent of Congo's exports, the commodity price tailored stress test is triggered. Given susceptibility to natural disasters like floods, the natural disaster module is also triggered. Similarly, having issued a Eurobond (in the context HIPC debt restructuring), the market financing module is also activated.

DEBT SUSTAINABILITY ANALYSIS

A. External Debt Sustainability Analysis

11. Under the baseline, breaches of the present value (PV) of debt-to-GDP and both the external debt service indicators vis-à-vis Congo's indicative thresholds are contained within 5 years (Figure 1). Under the current terms on the already restructured debt, all threshold breaches will be eliminated by 2026 under the baseline scenario. The PV of external debt-to-GDP is 44½ percent at end-2021 and is projected to decline but remain above the indicative threshold of 30 percent until 2024. The debt service-to-revenues ratio, at 33½ percent in 2021, is above the indicative threshold of 14 percent; this ratio is projected to decline to 9½ percent in 2026 (well below the 14 percent threshold), when most of the external commercial debt will have been repaid. In addition, the debt service-to-exports ratio is currently above its indicative threshold of 10 percent but is projected to decline below 10 percent by 2024 and remain below the threshold in subsequent years. The PV of debt-to-exports ratio is below its indicative threshold and projected to decline to an average of 45 percent over 2026-31. Text Table 7 highlights the changes between the current DSA and the 2021 Article IV DSA.

12. 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 most indicators (all but the debt service-to-revenue ratio), reflecting the Republic of Congo's high dependence on oil exports. A decline in exports to a level equivalent to one standard deviation below their historical average in the second and third years of the projection period would cause the PV of debt-to-exports ratio to rise and remain elevated over the medium term, while the PV of debt-to-GDP would peak at 98 percent. For the debt service-to–revenue ratio, a one-time depreciation has the largest impact. The commodity price shock, triggered due to Congo's reliance on oil exports, also leads to prolonged breaches of liquidity indicators and the PV of debt-to-GDP. The market financing risk module indicates a moderate risk of heightened liquidity pressures. However, because of no plans to access international markets, a heightened market stress event would not have a substantial impact on debt burden indicators (Figure 5).[10]

13. Reflecting unresolved external arrears to one external commercial creditor related to ongoing restructuring negotiations, the Republic of Congo is classified to be "in debt distress". Pending confirmation of the implementation of the DSSI for all eligible debt, nearly all post-HIPC bilateral official arrears will have been cleared by end-2021. The clearance of remaining external arrears with suppliers and finalization of the debt restructuring agreement with the external

[10] Based on the GFN being above its benchmark. EMBIG data for the Republic of Congo is not available. The bond, due to mature in 2029, was trading at a discount of 16 percent over par with an interest yield of 7.1 percent and an interest spread of 575 bps over 7 year US treasury bond as on December 3, 2021 (Source: Data Stream, https://www.federalreserve.gov/releases/h15/).

commercial creditor would be required to end the ongoing episode of debt distress. As all the debt ratios are below the debt thresholds in 5 years, the debt is assessed to be sustainable.

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

	2019	2020	2021	2022	2023	2026	2031
			PV of Debt-to-GDP Ratio				
Current DSA			47.0	42.0	38.3	28.3	19.0
2021 Article IV DSA		61.5	45.2	38.0	32.2	20.7	18.0
2019 Article IV DSA	51.5	47.2	46.0	44.3	41.2	37.4	28.0
			PV of Debt-to-Exports Ratio				
Current DSA			69.6	63.9	61.8	53.7	39.0
2021 Article IV DSA		111.9	67.0	58.5	52.8	40.7	56.0
2019 Article IV DSA	63.3	58.7	59.3	59.7	57.1	57.6	57.8
			Debt Service-to-Exports Ratio				
Current DSA			9.9	12.7	11.3	4.5	3.8
2021 Article IV DSA	9.7	12.0	11.5	12.9	11.7	4.6	4.4
2019 Article IV DSA	14.4	12.6	9.6	8.7	6.0	5.4	5.4
			Debt Service-to-Revenue Ratio				
Current DSA			29.0	33.3	28.5	10.0	7.7
2021 Article IV DSA	25.5	31.9	34.4	33.5	29.5	10.3	6.7
2019 Article IV DSA	37.3	32.3	23.1	19.1	12.6	9.7	6.7

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

B. Public Debt Sustainability Analysis

14. 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 direct financing from BEAC) remains significantly above the 35 percent benchmark level associated with heightened vulnerabilities for countries with a weak debt carrying capacity until 2030 and then remains below the threshold for the remainder of the horizon. Even though the PV of public debt breaches its benchmark until 2030, it is assessed as sustainable given that liquidity risks are mitigated by i) its downward path going forward, and ii) availability of financing from Congolese financial markets. Immediate liquidity needs are also supported by the DSSI. This assessment of debt vulnerabilities is further supported by stress-tests; the growth shock stress test is the most extreme for public debt burden indicators, highlighting downside risk related to an inability to clear arrears if the growth remains subdued. The implementation of priority structural reforms results in stronger, more inclusive, and more sustainable growth under the baseline. In contrast, Historical scenarios point towards perennially rising PV of debt-to-GDP and PV of debt-to-exports ratios (Figure 2), which reflect large historical residuals and low growth rates.

RISK RATING AND VULNERABILITIES

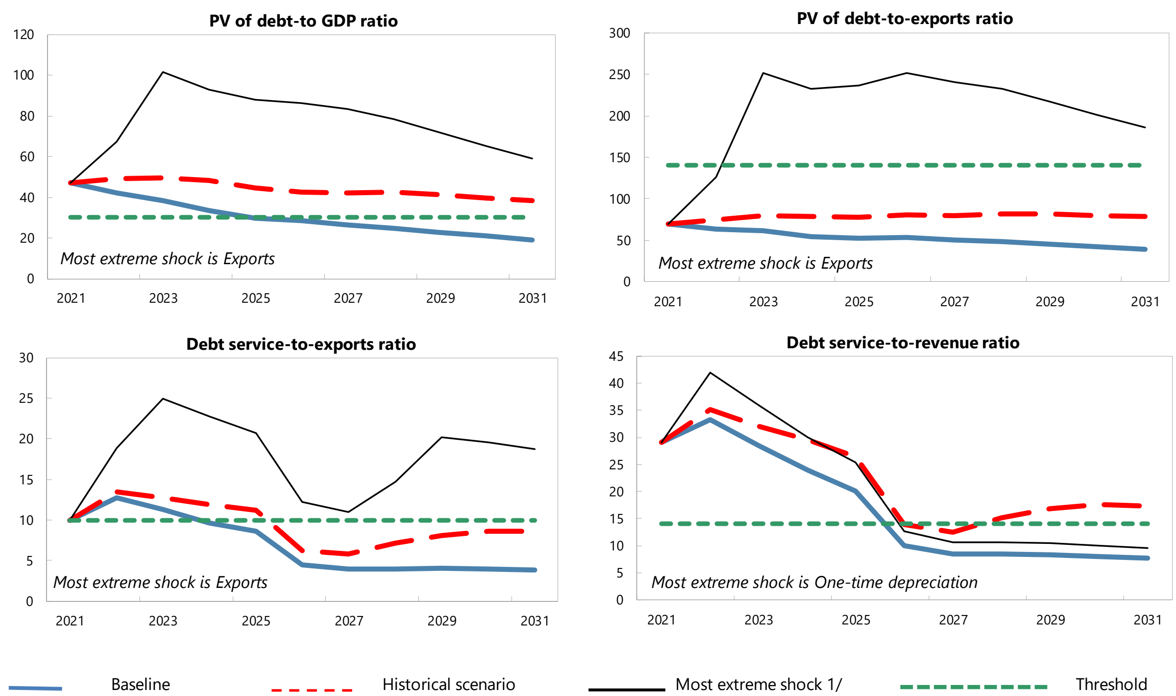
15. The overall and external debt of the Republic of Congo are assessed to be sustainable, but debt is currently in distress. The assessment of debt distress is a result of the ongoing debt restructuring negotiations with one external commercial creditor and outstanding arrears to suppliers. Owing to higher oil prices and the downward trend in all the debt and solvency indicators, the breach in the debt service-to-revenue indicator is contained by 2026 and the breach in the present value of external debt-to-GDP indicator is below the threshold by 2025. These, combined with no new accumulation of domestic and external arrears, result in the overall and external debt being sustainable.

16. Risks of overall and external debt distress remain high given liquidity risks and vulnerability to negative oil price shocks. Liquidity risks, associated with an elevated public debt-to-GDP ratio (exceeding the threshold through 2030) and a large external debt service-to-revenue ratio (the indicator exceeds the threshold through 2025), are mitigated by the steady and significant declines in these ratios going forward, the availability of financing from Congolese financial markets, and access to the CEMAC regional financial market. Going forward, the authorities are encouraged to continue pursuing fiscal consolidation, enact policies for diversification to reduce risks and prepare for reduced long-term oil production and demand, finalize the pending restructuring agreement, clear arrears, and enhance debt management.

AUTHORITIES' VIEWS

17. The authorities concurred with staff's assessment that Congo is in debt distress, and that debt is sustainable owing to favorable oil prices and the authorities' reform efforts. They expressed their commitment to maintain prudent fiscal and debt management policies and to continue pursuing their strategy to restructure Congo's public debt in order to enhance debt sustainability. The authorities further committed to continue effort to improve debt management institutions and increase debt transparency. The authorities were also confident of adhering to all the future scheduled debt and not accumulating any new arrears. The authorities also indicated that macroeconomic assumptions underpinning the DSA analysis, including projections for oil production, should remain appropriately cautious while information on new oil discoveries is still being analyzed. The authorities agreed that while there are downside risks to the growth outlook, the Congolese economy has the potential to benefit from the development of new sectors, and from increased social spending and diversification efforts to cope with challenges facing oil sector in the context of climate change.

Figure 1. Republic of Congo: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2021–31



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

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

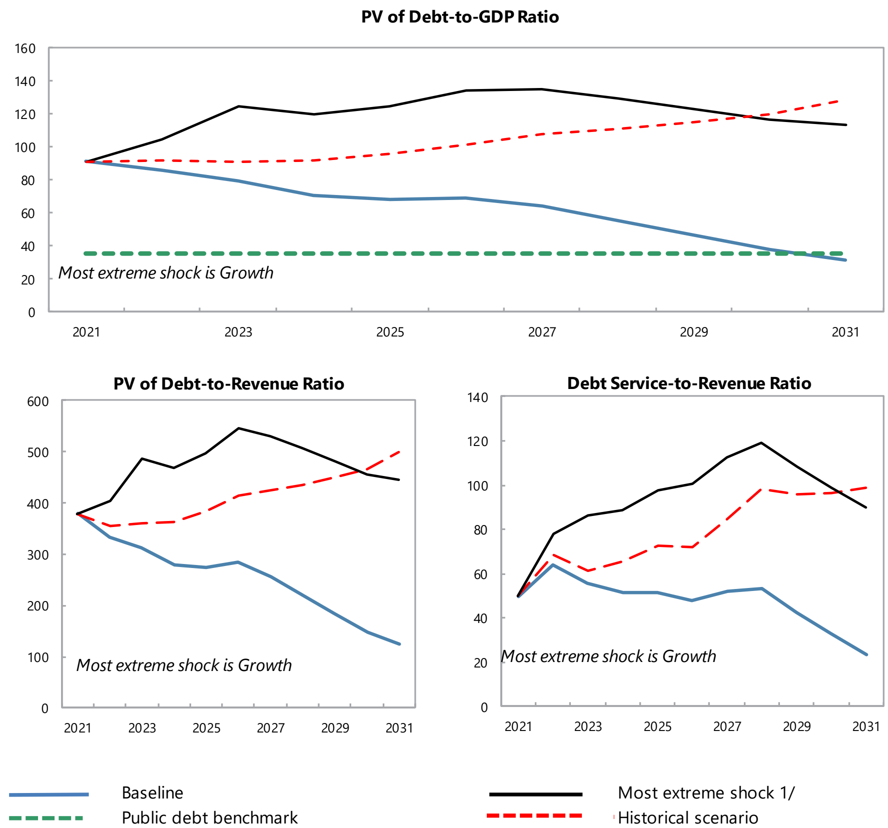
Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	5	5

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

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Republic of Congo: Indicators of Public Debt Under Alternative Scenarios, 2021–31



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	40%	40%
Domestic medium and long-term	55%	55%
Domestic short-term	5%	5%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.1%	3.1%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	3.1%	3.1%

* 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.

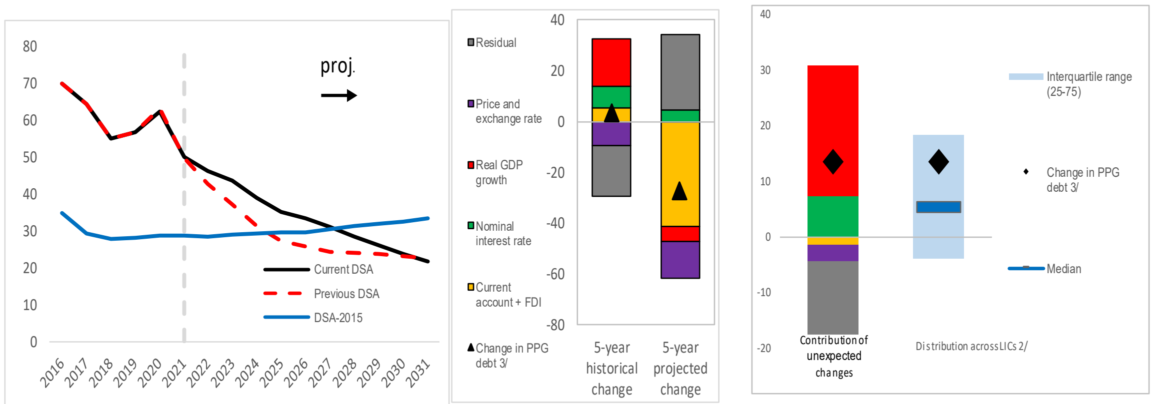
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. 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

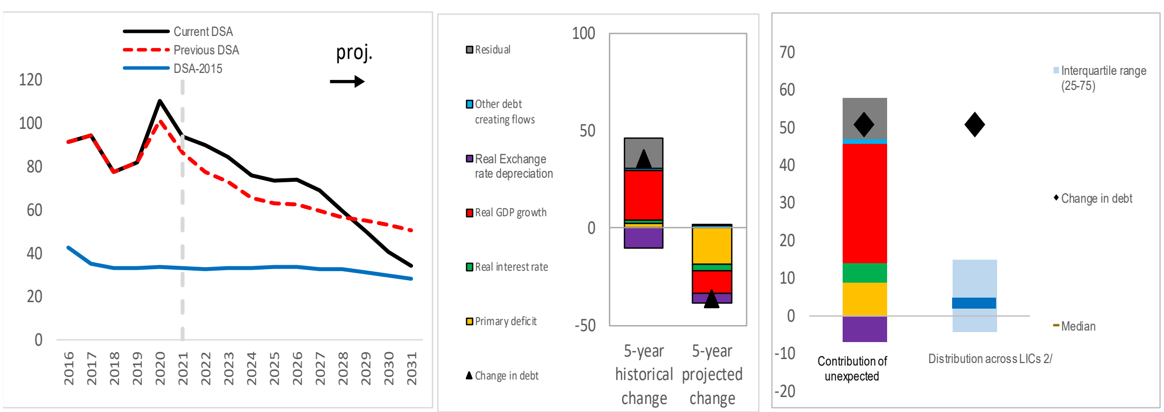
External Debt

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Public Debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Sources: Congolese authorities and IMF staff projections.

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

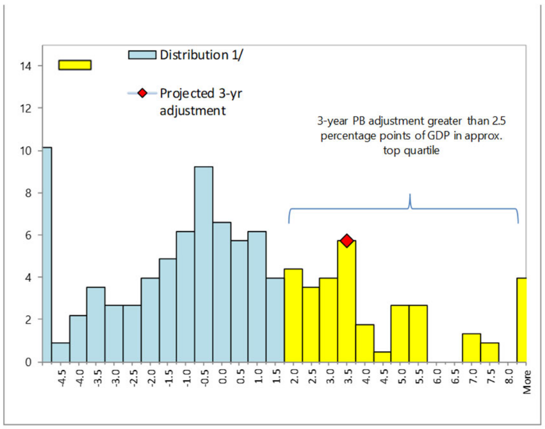
2/ Distribution across LICs for which LIC DSAs were produced.

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

Figure 4. Republic of Congo: Realism Tools

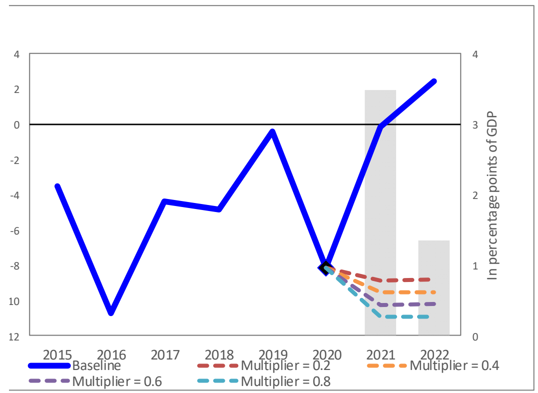
3-Year Adjustment in Primary Balance [1/]

(Percentage points of GDP)



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.

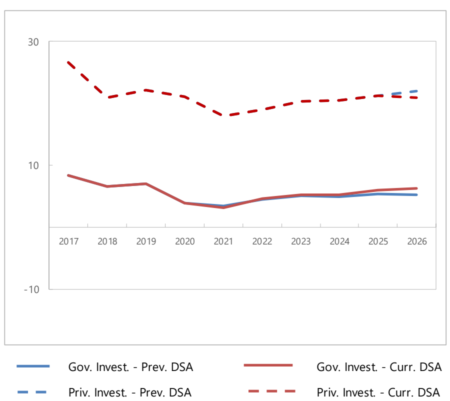
Fiscal Adjustment and Possible Growth Path [2/]



1/ 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).

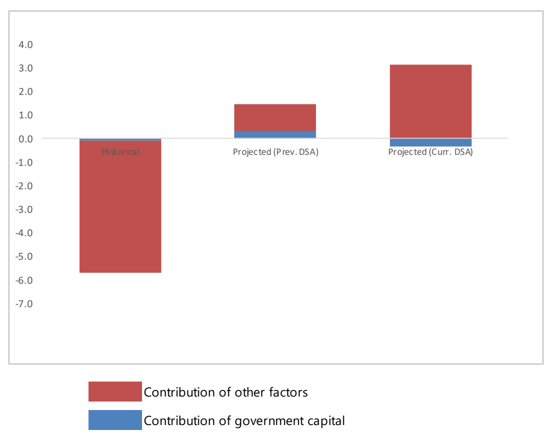
Public and Private Investment Rates [3/]

(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.

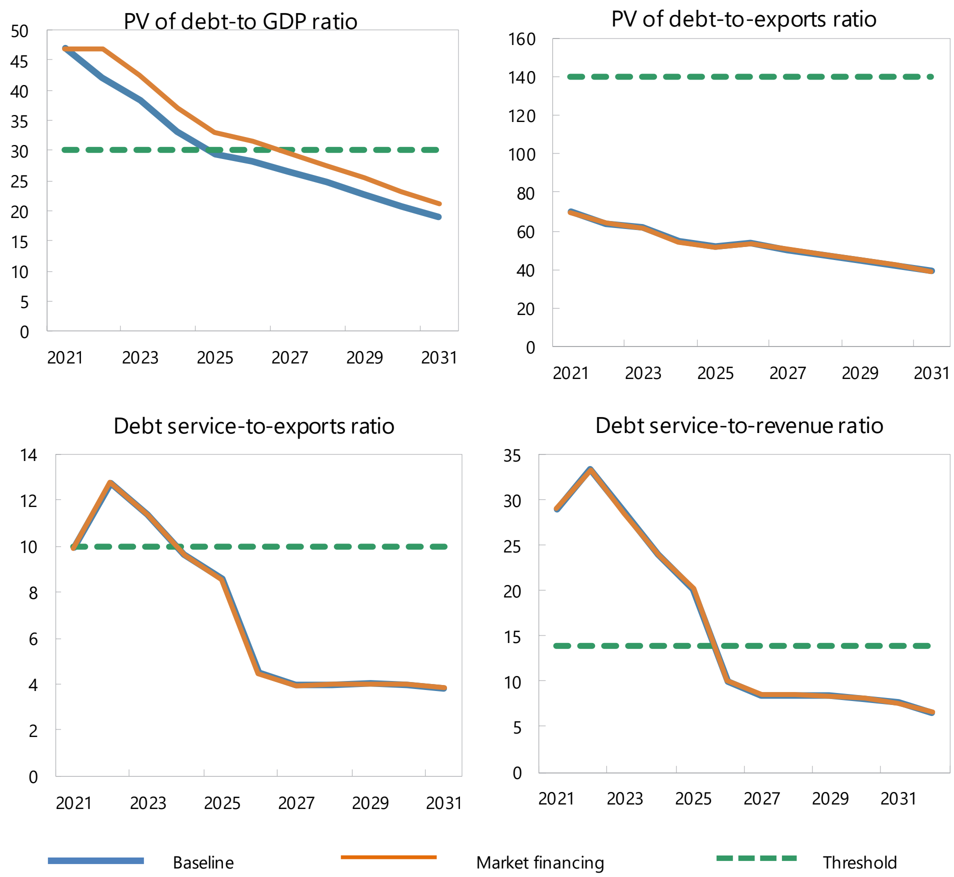
2/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

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

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

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	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.

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

EMBIG data for the Republic of Congo is not available. The bond, due to mature in 2029, was trading at a discount of 16 percent over par with an interest yield of 7.1 percent and an interest spread of 575 bps over 7-year US treasury bond as on December 3, 2021

Table 1a. Republic of Congo: Gross Public Debt by Creditor, 2019–21

	2019			2020			Sep 30, 2021[2]		
	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total public debt	**6122**	**10372**	**81.7**	**6533**	**12121**	**110.1**	**6858**	**12487**	**98.5**
External debt	**4265**	**7226**	**56.9**	**3705**	**6875**	**62.4**	**3686**	**6712**	**53.0**
Of which: arrears	736	1248	9.8	744	1380	12.5	714	1301	10.3
Multilateral and other creditors	425	720	5.7	484	899	8.2	519	945	7.5
IMF	27.7	47	0.4	26.0	48	0.4	25.9	47	0.4
IDA/IBRD	142	240	1.9	185	343	3.1	217	396	3.1
AfDB	210	356	2.8	227	422	3.8	232	423	3.3
IFAD	14	23	0.2	14	26	0.2	15	26	0.2
Others	32	54	0.4	32	59	0.5	29	53	0.4
Official bilateral	1892	3206	25.3	1621	3007	27.3	1608	2928	23.1
Paris Club	244	414	3.3	239	443	4.0	240	437	3.4
Brazil	31	52	0.4	25	47	0.4	26	48	0.4
Belgium	92	156	1.2	86	160	1.5	87	159	1.3
France	96	163	1.3	105	195	1.8	106	193	1.5
Russia	18	31	0.2	17	31	0.3	17	31	0.2
Switzerland	7	12	0.1	5	10	0.1	4	7	0.1
Non-Paris Club	1648	2792	22.0	1382	2564	23.3	1368	2491	19.7
China	1402	2375	18.7	1139	2114	19.2	1112	2025	16.0
India	61	103	0.8	70	130	1.2	78	142	1.1
Kuwait	32	55	0.4	30	57	0.5	31	57	0.4
Turkey	48	81	0.6	43	81	0.7	44	80	0.6
Pre-HIPC arrears (not restructured)	106	179	1.4	99	183	1.7	103	187	1.5
Private Creditors	1948	3300	26.0	1600	2969	27.0	1559	2839	22.4
Chinese companies	311	527	4.2	242	450	4.1	276	502	4.0
London Club (eurobond)	174	295	2.3	148	274	2.5	144	262	2.1
Oil-prepurchased debt	1116	1890	14.9	907	1683	15.3	852	1552	12.2
Glencore	428	724	5.7	299	554	5.0	304	553	4.4
Trafigura	549	929	7.3	518	961	8.7	494	899	7.1
Orion	140	237	1.9	90	168	1.5	55	100	0.8
Afreximbank	116	197	1.6	75	138	1.3	59	107	0.8
Suppliers	230	390	3.1	228	423	3.8	228	415	3.3
Domestic debt[1]	**1857**	**3146**	**24.8**	**2828**	**5246**	**47.6**	**3172**	**5775**	**45.6**
BEAC advances	572	970	7.6	572	1061	9.6	572	1042	8.2
Domestic claims[2,3,4]	250	423	3.3	897	1665	15.1	1365	2485	19.6
Arrears reported by CCA	1035	1754	13.8	1358	2520	22.9	1235	2248	17.7
Commercial	650	1102	8.7	955	1773	16.1	832	1514	11.9
Social and pensions	385	652	5.1	403	748	6.8	403	734	5.8

Sources: Congolese authorities and IMF staff estimates.

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

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

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

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

Table 1b. Republic of Congo: Decomposition of Public Debt and Debt Service by Creditor, 2020–22[1/]

	Debt Stock (end of period)			Debt Service						
	2020			2020	2021	2022		2020	2021	2022
	(Million US$)	(Percent total debt)	(Percent GDP)7	(US$)				(Percent GDP)		
Total	12,121	100	110.1	1,332	1,182	1,795		12.9	9.3	13.6
External	6,875	57	62.4	881	850	1,111		8.5	6.7	8.4
Multilateral creditors2,3	899	7.4	8.2	37	34	37		0.4	0.3	0.3
IMF	48	0.4	0.4	…	…	…	…	…	…	…
World Bank	343	2.8	3.1	…	…	…	…	…	…	…
ADB/AfDB/IADB	422	3.5	3.8	…	…	…	…	…	…	…
Other Multilaterals	85	0.7	0.8	…	…	…	…	…	…	…
o/w: BDEAC	32	0.3	0.3	…	…	…	…	…	…	…
IFAD	26	0.2	0.2	…	…	…	…	…	…	…
Bilateral Creditors	3,007	24.8	27.3	602	363	356		5.8	2.9	2.7
Paris Club	443	3.7	4.0	195	23	107		1.9	0.2	0.8
o/w: France	195	1.6	1.8	…	…	…	…	…	…	…
Belgium	160	1.3	1.5	…	…	…	…	…	…	…
Non-Paris Club	2,564	21.2	23.3	407	340	249		3.9	2.7	1.9
o/w: China	2,114	17.4	19.2	…	…	…	…	…	…	…
India	130	1.1	1.2	…	…	…	…	…	…	…
Bonds	274	2.3	2.5	45	43	41		0.4	0.3	0.3
Commercial creditors2	2,969	24.5	27.0	196	410	681		1.9	3.2	5.1
Domestic	5246	43.3	47.6	452	332	685		4.4	2.6	5.2
T-Bills	…	…	…	…	…	…	…	…	…	…
Bonds6	1665	13.7	15.1	431	310	654		4.2	2.4	4.9
Loans	1061	8.8	9.6	21	22	30		0.2	0.2	0.2
Memo items:										
Collateralized debt4										
o/w: Related	1,683	…	15.3	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…
Contingent liabilities										
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities5	298	…	2.7							
Nominal GDP	10,329	…	…	…	…	…	…	…	…	…

Sources: Congolese authorities and IMF staff estimates.

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

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

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

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

5/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential

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

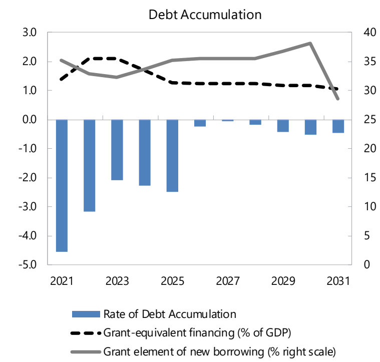
7/ Calculated with debt stock and GDP in local currency units.

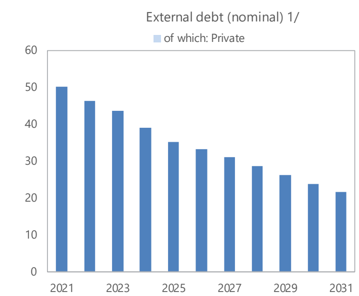
Table 2. Republic of Congo: External Debt Sustainability Framework, Baseline Scenario, 2018–41

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	55.0	56.9	62.4	50.2	46.2	43.6	38.9	35.0	33.3	21.7	9.1	46.3	34.4
of which: public and publicly guaranteed (PPG)	55.0	56.9	62.4	50.2	46.2	43.6	38.9	35.0	33.3	21.7	9.1	46.3	34.4
Change in external debt	-9.4	1.9	5.5	-12.2	-4.0	-2.6	-4.7	-3.9	-1.7	-2.2	-0.9		
Identified net debt-creating flows	-14.4	-0.3	11.0	-17.5	-11.3	-6.8	-6.0	-1.1	-0.2	-3.0	-2.3	-1.0	-5.5
Non-interest current account deficit	-1.5	-3.3	-0.6	-14.4	-6.7	-1.3	0.6	3.4	4.0	2.3	0.5	4.5	-0.6
Deficit in balance of goods and services	-13.3	-14.3	-8.4	-22.7	-16.4	-10.7	-9.2	-5.2	-4.3	-5.7	-1.9	-1.9	-9.1
Exports	71.1	68.4	54.9	67.5	65.7	61.9	61.3	56.9	52.6	48.8	28.5		
Imports	57.8	54.1	46.5	44.9	49.3	51.2	52.1	51.6	48.4	43.0	26.6		
Net current transfers (negative = inflow)	3.2	2.6	-1.2	-0.5	-0.1	-0.2	-0.2	-0.3	-0.3	-0.4	-0.4	1.3	-0.3
of which: official	0.0	-0.7	-1.7	-0.9	-0.5	-0.6	-0.6	-0.7	-0.7	-0.8	-0.8		
Other current account flows (negative = net inflow)	8.7	8.3	9.0	8.8	9.9	9.6	9.9	8.9	8.6	8.4	2.8	5.1	8.9
Net FDI (negative = inflow)	-2.5	-3.5	-2.7	-4.2	-4.6	-5.2	-4.7	-4.4	-4.0	-4.7	-2.6	-8.5	-4.5
Endogenous debt dynamics 2/	-10.4	6.6	14.3	1.1	0.0	-0.3	-1.9	-0.2	-0.2	-0.6	-0.2		
Contribution from nominal interest rate	1.6	2.9	0.8	1.0	1.2	0.9	0.7	0.6	0.2	0.3	0.1		
Contribution from real GDP growth	2.5	0.3	5.7	0.1	-1.2	-1.3	-2.6	-0.8	-0.4	-0.9	-0.4		
Contribution from price and exchange rate changes	-14.5	3.4	7.8	...	...	...	...	...	...	...	...		
Residual 3/	5.0	2.2	-5.5	5.3	7.3	4.1	1.3	-2.7	-1.5	0.7	1.4	5.4	1.8
of which: exceptional financing	0.0	0.0	-2.5	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	62.2	47.0	42.0	38.3	33.3	29.5	28.3	19.0	8.4		
PV of PPG external debt-to-exports ratio	...	...	113.3	69.6	63.9	61.8	54.3	51.9	53.7	39.0	29.4		
PPG debt service-to-exports ratio	8.6	9.7	14.0	9.9	12.7	11.3	9.6	8.6	4.5	3.8	3.1		
PPG debt service-to-revenue ratio	24.6	25.5	37.3	29.0	33.3	28.5	23.9	20.2	10.0	7.7	4.4		
Gross external financing need (Million of U.S. dollars)	286.2	-32.6	453.8	-1507.9	-386.7	84.1	270.6	614.8	376.0	-104.4	-481.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	-4.8	-0.4	-8.1	-0.2	2.4	2.9	6.5	2.2	1.2	4.1	4.1	-1.4	3.1
GDP deflator in US dollar terms (change in percent)	29.1	-5.9	-12.1	22.9	1.9	1.3	1.6	2.0	2.3	2.8	2.9	0.5	4.2
Effective interest rate (percent) 4/	3.1	5.0	1.1	1.9	2.4	2.1	1.8	1.6	0.7	1.4	1.5	1.8	1.5
Growth of exports of G&S (US dollar terms, in percent)	48.9	-9.9	-35.2	50.9	1.6	-1.7	7.1	-3.3	-4.2	5.2	4.0	-0.1	6.9
Growth of imports of G&S (US dollar terms, in percent)	30.3	-12.3	-30.7	18.4	14.7	8.4	10.1	3.3	-3.0	5.2	3.1	-2.1	6.7
Grant element of new public sector borrowing (in percent)	...	...	...	35.2	32.9	32.2	33.6	35.2	35.5	28.6	29.2	...	34.4
Government revenues (excluding grants, in percent of GDP)	24.8	26.0	20.6	23.1	25.2	24.6	24.7	24.1	23.6	24.4	20.2	30.0	24.3
Aid flows (in Million of US dollars) 5/	190.1	250.8	475.4	246.8	288.8	416.5	386.5	294.3	277.0	241.0	391.1		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.4	2.1	2.1	1.7	1.3	1.2	1.0	0.9	...	1.4
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	60.0	39.4	39.4	42.9	53.6	56.9	61.5	73.5	...	54.3
Nominal GDP (Million of US dollars)	13,649	12,791	10,329	12,676	13,235	13,803	14,934	15,568	16,122	22,287	40,219		
Nominal dollar GDP growth	22.9	-6.3	-19.2	22.7	4.4	4.3	8.2	4.2	3.6	7.0	7.2	-0.8	7.4
Memorandum items:													
PV of external debt 7/	...	...	62.2	47.0	42.0	38.3	33.3	29.5	28.3	19.0	8.4		
In percent of exports	...	...	113.3	69.6	63.9	61.8	54.3	51.9	53.7	39.0	29.4		
Total external debt service-to-exports ratio	8.6	9.7	14.0	9.9	12.7	11.3	9.6	8.6	4.5	3.8	3.1		
PV of PPG external debt (in Million of US dollars)			6429.1	5959.0	5555.9	5280.6	4968.1	4594.2	4557.3	4240.8	3373.7		
(PVt-PVt-1)/GDPt-1 (in percent)				-4.6	-3.2	-2.1	-2.3	-2.5	-0.2	-0.5	-0.2		
Non-interest current account deficit that stabilizes debt ratio	7.9	-5.3	-6.1	-2.2	-2.7	1.4	5.3	7.3	5.7	4.5	1.4		

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.

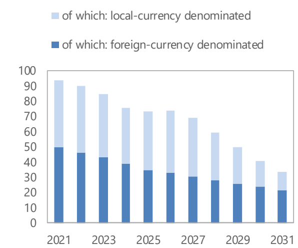
Table 3. Republic of Congo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018–41

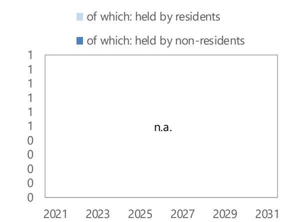
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/	77.1	81.7	110.1	93.9	89.9	84.5	76.0	73.6	74.0	34.0	31.5	66.9	67.7
of which: external debt	55.0	56.9	62.4	50.2	46.2	43.6	38.9	35.0	33.3	21.7	9.1	46.3	34.4
Change in public sector debt	-17.1	4.6	28.4	-16.1	-4.0	-5.4	-8.5	-2.5	0.4	-6.7	0.0		
Identified debt-creating flows	-17.4	-2.5	15.9	-15.1	-6.8	-4.4	-7.9	-3.0	-1.6	-10.8	-0.5	4.1	-8.0
Primary deficit	-7.6	-7.9	-0.1	-3.6	-4.8	-3.6	-4.2	-2.5	-1.3	-9.2	0.8	0.9	-5.4
Revenue and grants	24.9	26.7	22.2	24.0	25.7	25.2	25.3	24.8	24.3	25.2	21.0	30.5	25.0
of which: grants	0.1	0.8	1.7	0.9	0.5	0.6	0.6	0.7	0.7	0.8	0.8		
Primary (noninterest) expenditure	17.3	18.8	22.1	20.4	20.9	21.6	21.1	22.3	23.0	16.1	21.8	31.4	19.6
Automatic debt dynamics	-9.8	5.5	16.5	-12.8	-2.0	-0.8	-3.7	-0.5	-0.3	-1.7	-1.2		
Contribution from interest rate/growth differential	-0.5	2.6	12.1	-6.6	-1.9	-1.3	-4.1	-0.7	-0.2	-1.5	-1.2		
of which: contribution from average real interest rate	-5.3	2.3	4.8	-6.8	0.3	1.2	1.1	0.9	0.7	0.1	0.1		
of which: contribution from real GDP growth	4.8	0.3	7.2	0.2	-2.2	-2.5	-5.1	-1.6	-0.9	-1.6	-1.2		
Contribution from real exchange rate depreciation	-9.3	2.8	4.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	-0.5	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.1
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	-0.5	1.3	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	0.3	7.0	12.5	-7.2	2.7	-0.4	-0.3	0.7	2.0	4.0	0.4	2.6	0.5
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	106.0	90.9	85.4	79.0	70.3	68.1	69.0	31.3	30.8		
PV of public debt-to-revenue and grants ratio	...	...	476.6	379.1	332.4	313.6	278.3	274.1	284.1	123.9	146.8		
Debt service-to-revenue and grants ratio 3/	30.4	27.4	70.0	49.8	64.0	55.6	51.5	51.7	47.8	23.6	37.1		
Gross financing need 4/	0.0	-0.6	15.0	6.4	11.0	9.7	8.8	10.4	10.3	-3.2	8.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-4.8	-0.4	-8.1	-0.2	2.4	2.9	6.5	2.2	1.2	4.1	4.1	-1.4	3.1
Average nominal interest rate on external debt (in percent)	2.9	5.2	1.1	1.8	2.4	2.1	1.8	1.6	0.7	1.4	1.5	1.9	1.4
Average real interest rate on domestic debt (in percent)	-18.0	2.1	18.1	-12.2	1.1	3.1	3.2	3.1	2.9	1.7	0.6	1.0	1.0
Real exchange rate depreciation (in percent, + indicates depreciation)	-13.7	5.0	7.2	...	...	...	...	...	...	...	...	3.1	...
Inflation rate (GDP deflator, in percent)	23.4	-0.7	-13.8	17.5	0.8	-0.1	0.4	0.9	1.5	2.8	2.9	1.4	3.2
Growth of real primary spending (deflated by GDP deflator, in percent)	-38.0	7.9	8.2	-8.1	4.9	6.3	4.2	8.3	4.1	2.0	9.5	1.9	0.3
Primary deficit that stabilizes the debt-to-GDP ratio 5/	9.5	-12.5	-28.5	12.5	-0.8	1.8	4.4	0.0	-1.7	-2.5	0.8	-10.5	1.6
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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

Table 4. Republic of Congo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2021–31

(Percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to GDP ratio											
Baseline	**47**	**42**	**38**	**33**	30	28	27	25	23	21	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**47**	**49**	**49**	**48**	**44**	**42**	**42**	**42**	**41**	**40**	**38**
B. Bound Tests											
B1. Real GDP growth	**47**	**50**	**54**	**47**	**42**	**40**	**37**	**35**	**32**	29	27
B2. Primary balance	**47**	**48**	**55**	**51**	**49**	**50**	**49**	**47**	**45**	**43**	**40**
B3. Exports	**47**	**67**	**102**	**93**	**88**	**86**	**83**	**78**	**72**	**65**	**59**
B4. Other flows 3/	**47**	**52**	**59**	**53**	**49**	**48**	**46**	**43**	**40**	**36**	**33**
B5. Depreciation	**47**	**53**	**48**	**42**	**37**	**35**	**33**	**31**	28	26	24
B6. Combination of B1-B5	**47**	**64**	**75**	**68**	**63**	**61**	**58**	**55**	**50**	**45**	**41**
C. Tailored Tests											
C1. Combined contingent liabilities	**47**	**53**	**52**	**48**	**46**	**47**	**47**	**45**	**44**	**42**	**40**
C2. Natural disaster	**47**	**47**	**44**	**39**	**36**	**36**	**35**	**33**	**32**	30	28
C3. Commodity price	**47**	**48**	**49**	**45**	**42**	**41**	**39**	**37**	**35**	**32**	30
C4. Market Financing	**47**	**47**	**43**	**37**	**33**	**32**	30	28	25	23	21
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	70	64	62	54	52	54	50	48	45	42	39
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	70	75	80	78	78	80	80	82	82	80	78
B. Bound Tests											
B1. Real GDP growth	70	64	62	54	52	54	50	48	45	42	39
B2. Primary balance	70	72	89	83	86	94	92	91	89	86	82
B3. Exports	70	126	**251**	**232**	**237**	**252**	**241**	**232**	**218**	**202**	**186**
B4. Other flows 3/	70	80	95	87	87	92	87	84	79	73	67
B5. Depreciation	70	64	61	54	51	53	50	47	45	42	39
B6. Combination of B1-B5	70	100	91	116	116	123	117	111	104	97	89
C. Tailored Tests											
C1. Combined contingent liabilities	70	81	83	78	82	90	88	88	87	85	83
C2. Natural disaster	70	72	72	65	65	70	67	66	64	62	59
C3. Commodity price	70	80	87	79	78	81	76	74	70	66	62
C4. Market Financing	70	64	62	54	52	54	50	48	45	42	39
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**10**	**13**	**11**	**10**	9	4	4	4	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**10**	**13**	**13**	**12**	**11**	6	6	7	8	9	9
B. Bound Tests											
B1. Real GDP growth	**10**	**13**	**11**	**10**	9	4	4	4	4	4	4
B2. Primary balance	**10**	**13**	**12**	**11**	**10**	6	6	6	7	7	7
B3. Exports	**10**	**19**	**25**	**23**	**21**	**12**	**11**	**15**	**20**	**20**	**19**
B4. Other flows 3/	**10**	**13**	**12**	**10**	9	5	5	6	7	7	7
B5. Depreciation	**10**	**13**	**11**	**10**	9	4	4	4	4	4	4
B6. Combination of B1-B5	**10**	**15**	**17**	**14**	**13**	7	6	9	**10**	**9**	**9**
C. Tailored Tests											
C1. Combined contingent liabilities	**10**	**13**	**12**	**10**	9	5	5	5	5	5	5
C2. Natural disaster	10	**13**	**12**	**10**	9	5	4	4	4	4	4
C3. Commodity price	**10**	**14**	**13**	**11**	**10**	5	5	5	6	6	6
C4. Market Financing	**10**	**13**	**11**	**10**	9	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**	**33**	**28**	**24**	**20**	10	9	8	8	8	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**29**	**35**	**32**	**30**	**26**	14	13	**15**	**17**	**18**	**17**
B. Bound Tests											
B1. Real GDP growth	**29**	**39**	**40**	**34**	**28**	**14**	12	12	12	11	11
B2. Primary balance	**29**	**33**	**30**	**27**	**23**	14	12	13	**14**	**14**	14
B3. Exports	**29**	**40**	**41**	**37**	**32**	**18**	**16**	**20**	**27**	**26**	**24**
B4. Other flows 3/	**29**	**33**	**29**	**26**	**22**	12	10	13	**15**	**14**	13
B5. Depreciation	**29**	**42**	**36**	**30**	**25**	13	11	11	10	10	10
B6. Combination of B1-B5	**29**	**39**	**39**	**34**	**29**	**15**	13	**17**	**19**	**18**	**17**
C. Tailored Tests											
C1. Combined contingent liabilities	**29**	**33**	**29**	**25**	**21**	11	10	10	10	10	9
C2. Natural disaster	**29**	**33**	**29**	**24**	**21**	11	9	9	9	9	8
C3. Commodity price	**29**	**37**	**33**	**29**	**24**	12	10	11	12	12	11
C4. Market Financing	**29**	**33**	**28**	**24**	**20**	10	9	8	8	8	8
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, 2021–31[1/]

(Percent)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of Debt-to-GDP Ratio											
Baseline	**91**	**85**	**79**	**70**	**68**	**69**	**64**	**55**	**46**	**38**	31
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**91**	**91**	**91**	**92**	**95**	**101**	**108**	**111**	**115**	**120**	**129**
B. Bound Tests											
B1. Real GDP growth	**91**	**104**	**124**	**120**	**125**	**134**	**135**	**129**	**122**	**116**	**113**
B2. Primary balance	**91**	**99**	**112**	**102**	**100**	**100**	**94**	**84**	**74**	**64**	**57**
B3. Exports	**91**	**99**	**115**	**105**	**102**	**104**	**98**	**88**	**76**	**64**	**55**
B4. Other flows 3/	**91**	**96**	**100**	**90**	**88**	**89**	**84**	**74**	**63**	**53**	**45**
B5. Depreciation	**91**	**95**	**86**	**75**	**70**	**69**	**63**	**54**	**44**	34	27
B6. Combination of B1-B5	**91**	**94**	**103**	**96**	**97**	**101**	**98**	**91**	**83**	**75**	**70**
C. Tailored Tests											
C1. Combined contingent liabilities	**91**	**117**	**110**	**99**	**96**	**97**	**91**	**81**	**71**	**62**	**55**
C2. Natural disaster	**91**	**95**	**89**	**80**	**77**	**79**	**74**	**65**	**56**	**47**	**41**
C3. Commodity price	**91**	**90**	**93**	**94**	**102**	**112**	**114**	**109**	**104**	**98**	**95**
C4. Market Financing	**91**	**85**	**79**	**70**	**68**	**69**	**64**	**55**	**46**	**38**	31
Public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	379	332	314	278	274	284	256	221	184	149	124
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	379	355	361	363	383	414	425	436	450	467	500
B. Bound Tests											
B1. Real GDP growth	379	405	488	470	497	545	529	507	481	456	444
B2. Primary balance	379	386	444	404	401	413	376	336	295	256	226
B3. Exports	379	387	455	414	413	427	391	349	301	254	219
B4. Other flows 3/	379	372	395	357	354	367	334	294	251	209	178
B5. Depreciation	379	369	341	296	284	287	253	214	174	137	109
B6. Combination of B1-B5	379	368	408	380	389	415	391	360	328	297	276
C. Tailored Tests											
C1. Combined contingent liabilities	379	456	436	393	388	398	362	324	284	245	217
C2. Natural disaster	379	370	352	315	312	324	295	259	222	187	161
C3. Commodity price	379	385	407	409	439	483	462	434	412	390	377
C4. Market Financing	379	332	314	278	274	284	256	221	184	149	124
Debt Service-to-Revenue Ratio											
Baseline	50	64	56	51	52	48	52	53	43	33	24
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	50	68	61	65	73	72	85	98	96	96	99
B. Bound Tests											
B1. Real GDP growth	50	78	86	89	98	101	112	119	108	99	90
B2. Primary balance	50	66	75	85	86	85	83	78	67	55	44
B3. Exports	50	64	57	54	55	51	55	60	54	43	33
B4. Other flows 3/	50	64	57	53	53	49	54	57	49	39	29
B5. Depreciation	50	68	65	61	61	52	54	54	44	34	25
B6. Combination of B1-B5	50	68	68	68	72	70	77	80	69	59	49
C. Tailored Tests											
C1. Combined contingent liabilities	50	66	89	82	86	86	75	73	60	48	36
C2. Natural disaster	50	67	68	64	65	62	62	62	51	40	30
C3. Commodity price	50	74	65	69	78	82	94	99	91	83	75
C4. Market Financing	50	64	56	51	52	48	52	53	43	33	24

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

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

January 21, 2022

Introduction and Overview

The Congolese authorities would like to express their deep appreciation to Executive Directors and Management for considering their request for a medium-term Fund arrangement under the Extended Credit Facility (ECF). They also thank staff for the very candid and constructive discussions held during the months of November and December 2021 on such new ECF-supported program.

The Congolese economy is gradually recovering from a severe recession in 2020 caused by the Covid-19 pandemic after a period of sluggish growth following the 2014–15 collapse of oil prices and decelerating oil production. Despite a difficult economic environment, the expiration of the previous Fund-supported program in the midst of the pandemic, and the absence of emergency assistance from the Fund, the authorities have made important progress in their efforts to improve governance and macroeconomic stability. However, the overall economic situation remains fragile, the outlook highly uncertain, and balance-of-payments needs significant.

To sustain the nascent economic recovery and pursue their ambitious but achievable economic transformation agenda while further enhancing macroeconomic stability, the authorities request a new ECF arrangement with an access equivalent to 200 percent of quota based on their strong policy and reform program and significant financing needs. Their efforts in restructuring external debt and clearing arrears, combined with higher oil prices in 2021, have helped restore Congo's debt sustainability.

Close IMF's engagement is highly valued by the authorities as it will help establish a robust framework to achieve higher, more sustainable, and more inclusive growth through the implementation of prudent macroeconomic policies and deep-rooted structural reforms. Such framework will lay the ground for economic diversification and transformation —a key objective of the country's new Plan National de Développement (NDP 2022–26).

The program will benefit from CEMAC policy assurances--as highlighted in the recent Letter of Support from the regional central bank BEAC--while contributing to reinforce the region's external stability.

Importantly, the implementation of an ECF-supported program should help catalyze much-needed additional donor support. The authorities wish to express their deep gratitude to their development partners for providing the necessary financing assurances to help close the financing gap. They are also thankful to their bilateral and multilateral partners for their assistance, notably the IMF for the recent SDR allocation and the G20 for the relief under the Debt Service Suspension Initiative (DSSI), which both help mitigate the socio-economic impact of the pandemic.

Recent Economic Developments, Outlook, and Risks

Notwithstanding an improvement in 2021, Congo's economic situation remains fragile. After a deep contraction in 2020 (-8.1 percent), growth has improved but has remained in negative territories last year (-0.2 percent). While non-oil GDP rose slightly as the economy reopened after the pandemic-related lockdowns, oil production contracted by 2.9 percent due to the limited investments undertaken in the sector in 2020. Inflation remained relatively low and stable in 2021, at 2.1 percent on average. The primary fiscal surplus widened to 5.7 percent of non-oil GDP from 0.2 percent in 2020 mainly on the back of higher oil revenues—as oil prices remained relatively high—and some spending cuts. The current account balance recorded a surplus of 13.4 percent of GDP driven by high oil exports receipts.

While Congo's medium-term outlook has improved, it is still challenging. Growth is forecast to reach 2.4 percent in 2022 and to average 3.2 percent over the medium term amid favorable prospects for oil prices and production. However, the authorities are cognizant of downside risks dominating the outlook. They recognize that the spread of new Covid-19 variants and volatile oil prices could affect the economic recovery in the short- and medium-term while, over the longer term, the decline in the global demand for fossil fuel could further weaken the Congolese economy if diversification efforts were not accelerated.

Macroeconomic Policies and Structural Reforms under the ECF

The authorities have designed a strong medium-term program with the valued advice from Fund staff. This program focuses on (i) restoring fiscal sustainability with steadfast fiscal consolidation encompassing domestic revenue mobilization and reprioritization of expenditure towards higher social spending and key infrastructure investments; (ii) alleviating debt vulnerabilities, including through further debt restructuring with key creditors; and (iii) achieving economic transformation and green growth, which will require continued governance, transparency and supply-side structural reforms.

Pursuing Prudent Fiscal Policy While Promoting Economic Diversification

A key policy objective under the ECF is to restore fiscal and debt sustainability while preserving expenditures for social needs, poverty alleviation and economic diversification. In this vein, the authorities plan to pursue fiscal consolidation in 2022 and over the medium term. Their 2022 budget, approved by the Parliament in December 2021, is fully aligned with this priority. While the fiscal anchor, non-oil primary balance, is projected to end at -15.7 percent of non-oil GDP this year against -17.1% estimated for 2021, the authorities will gradually reduce this deficit in a growth-friendly manner towards -13 percent over the medium-term.

On the revenue side, the authorities intend to increase the tax-to-GDP ratio by taking actions to strengthen tax collection while pursuing steadfastly tax measures and revenue administration reforms adopted in the past two years. Those collection efforts include notably leveraging the e-tax, raising excise taxes to align them with CEMAC guidelines, improving the collection of tax arrears, promoting more efficient customs clearance at the Port Autonome de Pointe-Noire, and eliminating exemptions. The negotiations with oil producers to establish new conventions for tax concessions will be pursued in the coming months and should be finalized during the second quarter of 2022. Efforts will also be geared at increasing non-tax revenue, including through the redeployment of collection agents in the ministries.

Those policies will be pursued and reinforced beyond 2022 through further domestic revenue mobilization as laid out in the authorities' Memorandum of Economic and Financial Policies (MEFP). While the authorities expect much larger outcomes from these revenue measures, they have been particularly prudent in their budget projections by considering only half of the expected results. Accordingly, they conservatively project that these policies would help gradually raise non-oil revenue from 13.9% of non-oil GDP in 2021 to 15.8%% in 2022 and 17% by 2026.

On the expenditures side, scaling up health, education, social and key infrastructure programs—critical from social and growth standpoints—will remain a key priority going forward. The authorities will closely monitor and report on Covid-19-related expenditures. To that effect, they will post on the government's website all the procurement contracts related to Covid-19. An audit of these expenditures will also be undertaken by an internationally reputable accounting firm. In this regard, the authorities have agreed on the related terms of reference and published the call for tenders (prior action). They will publish the results of the audit on the government website.

On the other hand, to contain overall spending, the authorities will continue to reduce current expenditures, notably transfers and subsidies to SOEs, particularly the national refinery CORAF (Congolaise de Raffinage) and the electricity company CEC (Centrale Electrique du Congo), consistent with the performance contracts put in place with those enterprises.

Public investment management will be strengthened under the program, including through the requirement that only the procurement of projects that are included in the budget will be undertaken, starting in the 2023 budget. Steps to better prioritize projects within a medium-term public investment plan will also be implemented in 2022, with technical assistance from the Fund. Prioritization will be based notably on the contribution of projects to economic diversification, as well as an assessment of their costs and benefits.

The reforms underway to improve public financial management (PFM) will continue to be implemented, including on the architecture of the Treasury Single Account (TSA) at the central bank. The government will close all public accounts that are still open in commercial banks before the end of June 2022 and transfer their balances in the TSA.

Reinforcing Debt Sustainability While Supporting Growth

Continuing to repay domestic arrears ranks high on the authorities' policy agenda, with the view to supporting private sector activity and growth. The authorities commit to neither accumulate any new arrears nor contract new external debt that is guaranteed with future oil revenues. The fiscal consolidation measures envisaged over the medium-term, combined with the actions to strengthen debt management, are expected to reduce the debt-to-GDP ratio from 110 percent in 2020 to 72 percent by 2026.

To keep debt on this downward path and preserve sustainability, the authorities will also continue to hold discussions with the remaining large commercial creditor in order to reach a satisfactory debt restructuring agreement. In this regard, they wish to inform the Executive Board that they have resumed negotiations on January 8, 2022 in Dubai with that private creditor, and those discussions are ongoing. The authorities have also agreed with EXIM Bank China to initiate a new round of debt restructuring negotiations after the Chinese New Year and they are appreciative to the Chinese authorities for this support.

The authorities would like to stress that excluding the borrowing from the regional development bank—Banque de Développement des Etats de l'Afrique Centrale (BDEAC)—from net domestic financing under the program (see TMU, paragraph 8) and counting it as external financing will unduly and adversely affect the development prospects not only for Congo but the CEMAC region as a whole given that BDEAC is the main lender for large projects that promote regional integration and the implementation of the African Continental Free Trade Area (AfCFTA) agreement in the region. Consequently, they call on Fund staff to reconsider the exclusion of BDEAC loans—which are denominated in the local currency CFA Franc—from net domestic financing under the ECF.

Advancing Structural Reforms to Strengthen Governance, Transparency and Resilience

Efforts to improve transparency, especially in the oil sector, will continue. The authorities have published the 2019 EITI report which is a prior action under the program. They will also hire an internationally reputable accounting firm to audit oil flows and to identify all the holders of concessions in the oil, mining, and forestry sectors. They will publish the audit report by the accounting firm before the end of June 2022.

The authorities will build on the encouraging progress made in recent years in strengthening institutions and establishing legislations to fight corruption. As a prior action under the program, they have drafted and submitted to Parliament a new anti-corruption law, in line with best international practices. The organic law for the Cour des Comptes et de Discipline Budgétaire—Court of Auditors and Budgetary Discipline—is planned for adoption by the Parliament in March 2022. The authorities are committed to operationalizing the anti-corruption architecture and ensuring that the new Commissions on Transparency and on Anti-Corruption can function and meet their objectives.

The authorities view the financial sector' strength as central to sustaining the recovery. In this vein, they will promote financial inclusion through a road map to be designed in collaboration with relevant regional institutions (BEAC and the banking supervisor COBAC). COBAC will continue to closely monitor the banking sector and enforce prudential standards, which along with the reduction of NPLs favored by the clearance of domestic arrears, will strengthen financial stability.

The authorities are very much aware of the need to accelerate the diversification of the economy away from oil and are taking major steps towards that goal. Their newly adopted NDP 2022–26 envisions important reforms aimed at promoting economic diversification and adapting the country to climate change, consistent with its commitment to preserve the Congo Basin and the objective of enhancing food security in the country. In particular, the Republic of Congo is at the forefront of a regional initiative, Fonds Bleu pour le Bassin du Congo, which is an international development fund created in March 2017 and aimed at facilitating the transition of countries in the Congo Basin region from an economy relying on the exploitation of forests to a sustainable economy leaning more on water resources, notably from the abundant rivers.

Conclusion

The Congolese economy is recovering from the deep 2020 crisis, but the overall economic situation remains fragile, and balance of payment needs, including those arising from the economic transformation agenda, are significant. The authorities seek the IMF's policy and financial assistance to support the economic recovery and address the significant challenges that lie ahead. They would appreciate Executive Directors' support for their reform efforts and approval of their request for a new ECF arrangement.