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

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

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 6, 2023, following discussions that ended on November 18, 2022, with the officials of the Republic of Congo on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 19, 2022.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A Supplement to Staff Report: supplementary information, revised proposed decision, and Supplementary letter of intent
- A **Statement by the Executive Director** for the Republic of Congo.

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

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PRESS RELEASE

PR23/32

IMF Executive Board Concludes Second Review Under the Extended Credit Facility Arrangement for the Republic of Congo and Approves US$87 million disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the second review under the Extended Credit Facility arrangement, enabling the Republic of Congo to draw the equivalent of SDR 64.80 million (about US$ 87 million).
- Strengthened economic recovery is gaining momentum but risks from lower oil prices and production and weak reform implementation remain.
- Sustained reform implementation spanning public financial and debt management, governance, and transparency will be critical to attaining higher, more resilient, and inclusive growth. Energy sector reforms will be particularly essential.

Washington, DC – February 6, 2023: The Executive Board of the International Monetary Fund (IMF) concluded today the second review of the Republic of Congo's SDR 324.0 million arrangement under the Extended Credit Facility (ECF), which was approved on January 21, 2022 (see Press Release No. 22/11). This allows for the immediate disbursement of SDR 64.80 million (about US$ 87 million). This financing from the IMF will continue to help the authorities to implement their development policies, maintain macroeconomic stability and strengthen economic recovery amid high food inflation and an uncertain global environment.

Structural reforms under the authorities' program are advancing, especially in procurement, management of public finances and debt, and publication of a decree on conflict of interests. However, four out of five performance criteria related to the fiscal position and debt were not observed, some substantially, but corrective measures have been taken to address these breaches.

Economic recovery is expected to further strengthen in 2023, with improved oil production and government spending on development. Over the medium-term, the role of the non-oil private sector is projected to grow along with jobs and income levels. Food inflation is anticipated to decelerate towards the CEMAC inflation targets as international food prices decline. Key risks to this outlook stem from lower oil prices and production and weak reform implementation.

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

Building on recent advances, sustained structural reform implementation is needed. Improved management of public finances especially public investment and procurement-will facilitate larger, more effective, and higher quality development spending. In combination with improved debt management, these reforms will also end accumulation of arrears to domestic and external creditors. Broader governance reforms, encompassing anti-corruption and transparency, will also be critical for improving the business environment.

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

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

"The Republic of Congo's recovery has strengthened, though substantial risks remain amid an uncertain global environment and the spillovers from Russia's war in Ukraine, which aggravated Congo's already high food insecurity. Still high global oil prices and improved oil production, combined with public spending on infrastructure and social assistance, domestic arrears payments, and gradual reform implementation are supporting economic activity. Inflation is expected to decelerate in line with international food prices and regional monetary policy tightening. Key risks to this outlook include an intensification of spillovers from the war in Ukraine, climate shocks, lower oil prices and production, and weak reform implementation.

"Good progress has been made in advancing structural reforms but quantitative program performance has weakened. End-June performance criteria on the non-oil primary balance and net domestic financing were missed due to increased fuel subsidies which were not offset by oil-related dividend advances. The zero-ceiling performance criterion on new non-concessional external debt was also substantially breached as, in the process of regularizing arrears, local-currency debt was converted into U.S. dollars. However, strong corrective actions, including a reduction in fuel subsidies, have been taken recently. Sound program implementation in the period ahead remains important to ensure economic resilience and support the country's social and developmental objectives.

"The authorities remain committed to pursuing higher, more resilient, and inclusive growth while maintaining macroeconomic stability and debt sustainability. To this end, it will be important for the authorities to consolidate the non-oil fiscal position while raising development spending. Key measures include broadening the tax base, collecting tax arrears, and reducing fuel subsidies consistent with gradual fuel price deregulation coupled with increased social assistance for the vulnerable. Strengthened management of public finances and debt will be critical to ensure more effective public spending, including to address the substantial infrastructure gaps, and debt sustainability.

"Much-needed economic diversification, founded in private investment, will hinge on deepening structural reforms, especially operationalizing the new anti-corruption architecture, improving governance and transparency, addressing the gaps in the AML/CFT framework, raising financial inclusiveness, and stepping up state-owned enterprise and energy sector reforms."

REPUBLIC OF CONGO

December 19, 2022

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

EXECUTIVE SUMMARY

Context. Strengthened economic recovery remains fragile amid high food inflation, driven by increased import costs following Russia's war in Ukraine. High global oil prices are benefitting the Congo's crude oil exports but higher refined fuel import costs were subsidized by the government, widening the 2022 non-oil fiscal deficit. Sustained reform efforts are needed for economic diversification, which would reduce Congo's fragilities, create jobs, and raise incomes. Debt remains sustainable but classified as "in distress" due to arrears; a financing assurances review was conducted. The first review of the three-year Extended Credit Facility (ECF) arrangement (SDR 324 million, 200 percent of quota) was concluded by the IMF Executive Board on June 24, 2022.

Outlook and risks. Real GDP growth in 2023 will be driven by improved oil production, a pickup in agriculture and mining activity, and government spending on development. Food inflation is expected to decelerate with the decline of international food prices. Key risks stem from lower oil prices and production and weak reform implementation.

Program performance. Three out of five performance criteria, one indicative target, and one structural benchmark were missed. Strong corrective actions were taken, including reducing oil-related subsidies, rapidly renegotiating external arrears payments, and addressing declaration shortfalls in the decree on conflict-of-interest rules.

Program strategy. The authorities continue to pursue higher, more resilient, and inclusive growth while maintaining macroeconomic stability and debt sustainability. To this end, the non-oil fiscal position will be significantly tightened in 2023—compensating for its loosening in 2022—and development spending increased. This is made possible by tax reforms and reduced oil-related subsidies consistent with a gradual fuel price deregulation coupled with increased social assistance for the vulnerable. Strengthened management of public finances, governance, and financial sector reforms remain essential to the program. The arrangement is helping catalyze development partner financing and will be supported by regional CEMAC efforts to maintain an appropriate monetary policy stance, build up regional reserves, and promote financial sector stability.

Approved By
Vitaliy Kramarenko (AFR) and Geremia Palomba (SPR)

Discussions on the review for an ECF-supported program were held in Brazzaville during September 20-October 4, 2022 and virtually during October 24-28 and November 18, 2022. The staff team comprised Ms. Mitra (head), Ms. El Idrissi, Mr. Islam, Mr. Sulemane (all AFR), Mr. Chaudry (SPR), Ms. Liu (FAD), Mr. Turkewitz, Ms. Zarazinski (both LEG), Mr. Million (Resident Representative), Mr. Nsongui Tonadio (local economist), and Mr. Sarda (FAD long-term expert). Mr. Tsoungi and Ms. Youbi (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. Ondaye Minister of Finance and Economy, Hon. Mr. Ngatsé Minister of Budget, Hon. Mme. Ebouka-Babakas Minister of Planning and Statistics, Hon Mr. Itoua Minister of Hydrocarbons, Hon. Mr. Andely former Minister of Finance, and other senior officials. The mission also met representatives of the private sector, civil society, and development partners.

CONTENTS

ANNEXES

APPENDIX

CONTEXT

1. **Following the March 2021 re-election of the President, the ruling party maintained a majority in the July 2022 parliamentary elections**. The ensuing Cabinet reshuffle resulted in the Ministry of Finance being split into the Ministry of Finance and Economy, and the Ministry of Budget, with two new Ministers at the helm of each (replacing the former Minister of Finance). The election process was peaceful but social tensions are growing amid growing food insecurity (Annex I)—in part, due to high food prices resulting from Russia's war in Ukraine (Country Report 22/226)—rising poverty, a lack of economic opportunities, poor quality of public services, and weak governance.

2. **The government's immediate policy priorities are to manage the fallout from increased import costs, particularly for food and fuel, and the COVID-19 pandemic, which are aggravating the Republic of Congo's fragilities** (Annex II). In 2022, regulated prices of essential foods and fuel were kept low to protect consumers (Annex III). The margins of companies importing and distributing these goods were initially absorbing the higher import costs. To protect the margins of SNPC (the national oil company), CORAF (the oil refinery and subsidiary of SNPC), and private fuel marketers, Parliament passed a revised 2022 budget (in July, just after the elections) introducing new subsidies for fuel imports. Notably, the Republic of Congo exports crude oil but the domestic supply of refined fuel is a combination of imports and CORAF's domestic production. Social assistance continues to be essential for the most vulnerable to cope with inflation and the pandemic's impact. Since the pandemic started there have been 25,375 recorded cases and 386 deaths (as of November 2022). Progress in vaccinating the population has been slow due to vaccine hesitancy.

RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, AND RISKS

3. **Economic activity is gaining momentum, with real GDP projected to grow by 2.8 percent in 2022.** With resumed investment by the largest oil producers, some fields more than doubled production in 2022 while others produced less than last year due to equipment issues. On balance, oil production is expected to expand by 0.5 percent for the full year. Non-oil economic activity, expected to grow 3.3 percent in 2022, benefitting from solid activity in agriculture, mining (potash and iron ore), and manufacturing and services, as well as from domestic arrears payments, and government spending on infrastructure and social assistance. Greater momentum in non-oil growth was held back by food inflation and the monetary tightening that constrains spending and investment by households and businesses.

4. **Inflation is expected to be contained though pressures are high (Figure 1).** Inflated transport costs—related to Russia's war in Ukraine and high global oil prices—and the CFA franc depreciation against the U.S. dollar raised import costs, which were either passed through to consumers or eroded companies' margins. The impact was greatest on food inflation with these

pressures partly offset by subdued non-food inflation—which reflects import substitution and the impact of monetary tightening (¶3). Overall, inflation is expected to average 3.5 percent in 2022.

5. The authorities have loosened the 2022 fiscal position relative to the first review under the ECF arrangement (CR 22/226). Based on the July 2022 revised budget, the non-oil primary deficit is projected to widen by 3.1 percent of non-oil GDP relative to CR 22/226 (Text Table 1). This reflects stepped up agricultural investment (Annex I), increased subsidies to CORAF, and a new subsidy to SNPC for importing fuel and selling to distributors for retail sales (¶2). Only a fraction of these oil-related subsidies was offset by increased SNPC dividend payments and additional revenues from the conclusion of negotiations with oil producers on tax concessions (classified as non-oil revenues). The primary balance is also set to deteriorate, despite improved oil revenues (relative to CR 22/226) stemming from the exchange rate depreciation.

6. The current account balance continues to benefit from high oil prices, notwithstanding a larger import bill. Recent declines in wheat prices and improvements in its supply—cereals are one quarter of the food import bill—are helping contain the food import bill, more than offsetting growing fertilizer import costs. Oil export revenues are not only driving a projected 21.6 percent of GDP current account surplus in 2022 but they are also financing substantial debt service due this year—to regional commercial banks, G20 DSSI creditors (which began in June), and the two largest external commercial creditors.

Text Table 1. Republic of Congo: Fiscal Performance, 2022
(Billions of CFAF)

	FY 2022H1				FY 2022			
			Change				Change	
	CR 22/226	Proj.	Nominal	In percent non-oil GDP	CR 22/226	Proj.	Nominal	In percent non-oil GDP
Total revenue and grants	1033	1424	392	6.7	2,421	2,465	44	0.7
Oil revenues	715	1028	313	5.4	1,625	1,656	31	0.5
Non-oil tax revenues	284	331	48	0.8	720	712	-8	-0.1
Non-tax revenues	15	23	8	0.1	38	50	12	0.2
Grants	19	41	22	0.4	39	47	8	0.1
Expenditure and net lending	825	1049	223	3.8	1,707	1,927	220	3.8
Wages	182	170	-12	-0.2	379	379	0	0.0
Goods and services	101	136	35	0.6	190	190	0	0.0
Social transfers	64	83	19	0.3	127	127	0	0.0
Oil-related transfers	35	122	87	1.5	79	251	172	3.0
Other spending	200	182	-18	-0.3	410	410	0	0.0
Interest	90	114	24	0.4	179	205	26	0.4
Capital Spending	154	243	88	1.5	343	365	23	0.4
o/w Foreign-financed	82	174	92	1.6	182	204	23	0.4
Non-oil primary balance	-418	-539	-121	-2.1	-731	-914	-182	-3.1
o/w end-June PC[1]	-225	-284	-59	-1.0	--	--	--	--
Primary balance	297	489	192	3.3	893	742	-151	-2.6
Overall balance, cash basis	207	376	168	2.9	714	537	-177	-3.0
Congolese oil price								
(U.S. dollars per barrel)	96	96	--	--	96	96	--	--
Nominal non-oil GDP	5,834	5,834	--	--	5,834	5,834	--	--

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

[1] The basic non-oil primary balance, excluding oil related transfers, is a quantitative performance criterion (QPC) for end-2022 (CR 22/226). The TMU requires the floor for this QPC should be adjusted upward for increases in oil-related transfers exceeding CFAF 30 billion and downward for increases in net external assistance (relative to that projected in CR 22/226).

7. The banking system remains stable. Non-performing loans (NPLs) have been around 17 percent over the past year as the impact of the economic contraction brought on by the pandemic in 2020 were outweighed by the benefits from domestic arrears' payments. These payments along with reduced government borrowing from the banking system (due to large oil revenues) has freed liquidity, supporting private sector credit growth (5 percent in August 2022). The capital adequacy ratio reached 24 percent at end-April 2022, reflecting improved risk-weighted assets and positive credit and deposit trends. Restructuring plans are still being considered for two small weak banks. Banking system developments will need to be closely monitored as the pandemic-related relaxation of prudential measures are unwound.

8. The outlook hinges on progress in deep structural and governance reforms necessary for economic diversification away from oil.

- Real GDP growth is expected to rise to 4.1 percent in 2023 and then average 4.0 percent during 2024-27. During this time, the composition of growth is anticipated to shift away from oil production, which is projected to expand by 4.4 percent in 2023, peak in 2024, and then contract with major oil fields maturing. Non-oil sector growth is anticipated to steadily rise from 4.0 percent in 2023 to 5.0 percent by 2026–27. Stepped up social spending (health care, education, infrastructure), domestic arrears payments, and reforms in governance, the financial sector, and the business environment will support consumption and investment—creating jobs and raising incomes across the population. In line with these reforms, food production is set to improve over the medium term with improved storage, irrigation, and transport infrastructure.

- Inflation is expected to subside to 3.3 percent in 2023. Staples food prices will continue to be regulated and a decline in international staples prices will support distributors' margins while import and transport costs will decline with lower oil prices—outweighing the impact of higher retail fuel prices resulting from gradual deregulation (¶14). Medium-term inflation is projected to remain within 3 percent, consistent with the CEMAC inflation target, where supply-side expansion of the non-oil economy will balance buoyant consumption and investment growth.

- The current account balance is expected to progressively shrink during 2023–27 from 8.5 to 0.3 percent of GDP in line with reduced oil export receipts and increased imports supporting non-oil investment. Net external inflows will improve relatively quickly during 2023–25 as external debt service (public and private) progresses and development partners' project support and FDI improves.

9. Risks are tilted to the downside (Annex IV). Intensification of spillovers from Russia's war in Ukraine could adversely impact inflation, investment, trade flows, and remittances—weighing on economic growth and external balances. A reduction in oil prices and the rapidly evolving global transition to low-carbon economies could weigh on oil production and revenues, adversely impacting external and fiscal balances. Investment, including that supporting economic diversification, could slow with higher-than-projected interest rate hikes or weaker than expected reform implementation. Adverse weather conditions could weigh on agricultural production, raising food insecurity and inflationary pressures. On the upside, reform momentum could accelerate with development partner support. Higher fertilizer and metal prices could increase mining investments (Congo has a globally significant potash basin), and there may be new low-cost oil and gas field discoveries.

PROGRAM PERFORMANCE

10. Two end-June 2022 and one continuous performance criteria (PCs) were missed (Table 12). The surge in 2022H1 international oil prices raised oil-related subsidies (relative to CR 22/226, Text Table 1). As this spending was not offset by SNPC dividend advances—despite the authorities' commitment to the contrary (MEFP ¶25, CR 22/226)—the non-oil primary balance and net domestic financing PCs were missed.[1] The zero ceiling PC on contracting new non-concessional external debt was missed (by 9.0 percent of GDP) due to (i) the regularization of arrears with two Chinese commercial companies which involved converting the original CFA franc debt into U.S. dollars; and (ii) a recently contracted $100 million digital acceleration World Bank (WB) project loan —the impact on debt sustainability indicators is negligible as the loan disbursement was included on IDA terms in the DSA accompanying CR 22/226 and is now on less concessional terms with a grant element of 18 percent (35 percent grant element is required for classification as concessional). The indicative target (IT) ceiling on disbursements of external loans for investment projects was missed due to faster than expected execution of investment projects and front-loaded loan disbursements. All other PCs and ITs were met.

11. Corrective measures have been agreed for the missed PCs and the authorities request waivers of nonobservance on this basis.

- Strong fiscal consolidation measures during 2023 will correct for the fiscal slippage in 2022. These measures include a budget passed by Parliament (prior action, PA) that includes (i) a full phase-out of the new fuel subsidy and gradual fuel price deregulation during 2023–24 accompanied by stepped up social assistance (¶13–15, Text Table 2); (ii) revenue measures to compensate for past shortfalls in SNPC's dividend transfers to the budget, such as elimination of VAT and customs duty exemptions received by SNPC and VAT charged by CORAF (a subsidiary of SNPC) on its sales. In 2022H2, backlogged SNPC dividends (0.2 percent of non-oil GDP, ¶5) have been transferred to the budget (PA). Stronger measures to improve the 2022 fiscal position are not feasible in the remainder of 2022.

- The breaches of the zero ceiling on contracting new non-concessional external debt and the consultation clause under the program on signing of new external debt arrangements (as defined in the TMU) have exposed serious debt management challenges. The authorities have taken corrective actions to reverse the negative impact of the breach by converting the

[1] The TMU requires the target for net domestic financing be adjusted downward for higher than expected net external assistance and oil revenues (relative to that projected in CR 22/226).

debt back into CFA francs[2], agreeing with Fund staff on reformulation of the TMU consultation clause to spell out its perimeter, and requesting Fund TA to identify weaknesses in the legal, institutional, and operational framework of debt management that may have led to this breach.

12. All but one structural benchmark (SB) have been met (Table 13). The decree on conflict-of-interest rules and procedures was published with a one-month delay and its declaration requirements fell short of international standards. Publication of a ministerial order to accompany the decree will address these shortcomings (PA, Table 14, MEFP ¶30). The SBs related to the procurement template, the medium-term debt strategy, and publication of pandemic-related spending, oil reconciliation reports, and natural resource concession holders have all been met.

POLICY DISCUSSIONS

Policies continue to be anchored in maintaining macroeconomic stability and supporting economic transformation—based on the authorities' National Development Plan (NDP) 2022–26, which is centered on economic diversification and resilience to climate change—needed to reduce fragilities and place Congo onto a path of higher, more resilient, and inclusive growth. In line with consultations with development partners, the NDP (circulated to the Board in mid-December 2022) rightly elaborates on sectoral development strategies in social sectors (health, education, and social protection) and governance as cross-cutting areas of focus on improving the business environment, critical for economic diversification and increased private investment.

The arrangement continues to (i) be supported by regional CEMAC efforts to maintain an appropriate monetary policy stance and promote financial sector stability; and (ii) contribute to the CEMAC's regional stability efforts by accumulating a material portion of the region's projected NFA during 2022–24.

Discussions focused on the appropriate policy mix to maintain macroeconomic stability, reduce fragilities, and support the pursuit of higher, more resilient, and inclusive growth amid high oil prices and increased inflation. To maintain debt sustainability, the non-oil fiscal position will be significantly tightened in 2023—compensating for its loosening in 2022—based on tax reforms and oil-related subsidy reforms coupled with stepped up social assistance to protect the most vulnerable. Development spending will continue to be prioritized. Oil windfalls[3] *will support some of this spending but will mostly help build buffers. Strengthened management of public finances (including public investment and debt), governance, transparency, and financial sector reforms will be essential to stimulating economic diversification, jobs, poverty reduction, and resilience to climate change. Development partner support in all of these areas will be critical.*

[2] This corrective action addresses the cumulative breach of the PC.

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

A. Fiscal Policy

13. Fiscal policy will support higher, more resilient, and inclusive growth while safeguarding debt sustainability.

- Debt is assessed as "sustainable" though it is classified as "in distress" pending clearance of external commercial arrears and reflecting remaining uncertainty about the magnitude of valid domestic arrears as audits of unaudited arrears progress (¶26 and Debt Sustainability Analysis). The upward revision in the overall debt-to-GDP ratio over the medium term, largely driven by the impact of historical GDP revisions on nominal GDP projections, but also due to new social debt and revised projections of domestic borrowing and acceptance rates of unaudited arrears, has increased debt-related risks. Considerable medium-term fiscal consolidation combined with significant oil revenues is needed to repay external debt and domestic arrears—permitting public debt to decline from 99 to 71 percent of GDP between 2022 and 2027.[4] Risks from negative oil price shocks are mitigated by debt service to the largest external commercial creditors being tied to oil prices.

- Achieving the necessary medium-term fiscal consolidation while supporting economic growth and development will rely on domestic revenue mobilization and reprioritizing spending. Gradual growth of non-oil revenues—supported by non-oil economic growth and revenue-enhancing measures (¶14-15)—will drive improvements in the non-oil primary fiscal balance. The share of spending on social assistance, health care, education, and other development needs will be increased, while leaving the spending envelope broadly unchanged (relative to 2021 outcomes) owing to the fiscal space created by reducing oil-related transfers.

14. Against this backdrop, the 2023 budget envisages substantial fiscal consolidation while increasing social and capital spending (MEFP ¶10–12). The non-oil primary deficit will be reduced from 15.7 percent of non-oil GDP in 2022 to 13.3 percent of non-oil GDP in 2023, while continuing to save oil windfalls. The budget, expected to be passed by Parliament before end-2022, rests on the following key measures (PA):

- Maintaining revenue-enhancing measures adopted over the past three years (Text Table 2) such as electronic payments, broadening of the tax base, and increased collection of tax arrears—an inventory of tax arrears and probability of recovery (end-2022 SB) and recovery strategies are being prepared.

- In light of food inflation, maintaining lower import taxes and customs duties on food (protecting consumers) and the 2021 reductions in turnover tax and corporate tax rates

[4] In line with continued improvements in the compilation of statistics, supported by technical assistance from the IMF and other development partners, historical GDP and balance of payments statistics have been revised. As a result, nominal GDP is lower than in CR 22/226 and all ratios in percent of GDP are higher. This effect explains over 11 percentage points of the 2022 increase in the debt-to-GDP ratio. The other 5 percentage point increase of this ratio in 2022 is due to new social debt and revised projections of domestic borrowing and acceptance rates of unaudited arrears.

(protecting all distributors' margins)—which can be reassessed once high food prices and the pandemic subside.

- Recovering the remainder of past years' unpaid SNPC dividends.

- Eliminating VAT and customs duty exemptions for SNPC and requiring CORAF to charge VAT on its sales (these measures impact non-oil revenues).

- Phasing out fuel subsidies (including those introduced in 2022) and gradually deregulating fuel prices. To protect low- and middle-income households from any adverse effects, cooking fuels will be exempted, and public transport subsidies and targeted social assistance will be expanded (in coverage and the amount provided to households)—covering increased costs for the small minority of these households that drive cars, second round fuel price effects, and on-going food inflation. The cost of electricity, powered by natural gas, will remain unaffected.

    - Gradual fuel price deregulation will encompass retail prices and EDP during 2023–24 —accompanied by a clear communication strategy—and updating of the EDP pricing formula to account for improvements in CORAF's operating efficiency since 2016 (end-2022 SB).[5] Deregulation will begin with 5 and 7 percent increases in retail and EDP prices by end-January 2023, followed by quarterly increases leading to full reflection of international fuel prices in retail prices and EDP by end-2024—equivalent to a 30 percent retail price increase by end-2023 and another 45 percent increase by end-2024 (on current WEO oil price projections). After that, an automatic fuel pricing mechanism with a smoothing element to prevent sharp adjustments will be applied.

- Implementing the next steps of reforms adopted in 2019 that reduce transfers to SOEs, especially CORAF and CEC (the electricity company).

- Stepping up social and development spending, especially in health care and sanitation (new hospitals, treatments to prevent tuberculosis and malaria, and increasing prenatal and maternal care), education (new schools and vocational training), and agriculture (supporting domestic production of food and other goods and services) while containing the wage bill.

- Announcing a multi-year domestic arrears payment plan.

- Actively monitoring fiscal risks (e.g., spending overruns, revenue shortfalls, or underproduction of oil) and implementing contingency plans as needed—including streamlining non-essential spending, slowing capital spending and arrears payments (which have been back-loaded in the 2023 budget for this purpose), and raising additional revenues from increasing the withholding tax on service payments from oil producers.

[5] Technically, the EDP would be adjusted, which would flow through to the retail price while the difference between the EDP and retail price would remain constant.

15. Over the medium term, pursuit of the fiscal strategy outlined above will require steadfast policy implementation (MEFP ¶12–13, 23–25). The following measures to enhance revenues and reduce non-priority spending, in addition to continuing the measures applied in 2023, will support a reduction in the non-oil primary deficit from 13.3 to 8.8 percent of non-oil GDP during 2023–27:

- Upgrading the hydrocarbon-related VAT administration and eliminating hydrocarbon-related VAT exemptions. To this end, a comprehensive stocktaking and associated revision and simplification of tax laws (into a single legislation) will be completed by end-June 2023 and end-December 2023, respectively (both SBs). This process will include assessing the currently levied VAT on petroleum products and ensuring its full remittance to the State. Efficiency of administering VAT on fuels will also be improved, including through application of the standard credit-invoice method (based on the revision of relevant decrees by 2025).

- Streamlining non-hydrocarbon tax exemptions, beginning with an action plan that covers their analysis, publication, and budget implications.

- Strengthening the control and monitoring of exemptions through annual risk-based audits, continuing to upgrade customs procedures, and implementing a tailored digital transformation plan.

- Raising excise duties in line with CEMAC guidelines.

- Advancing the next phase of SOE reforms, especially for CORAF and CEC, that would further reduce subsidies to them and raise transparency of SOE operations. Both companies' production costs will be studied and an action plan put in place for raising their efficiency and ensuring the electricity billing process and coverage reflect actual electricity consumption.

- Completing the on-going expanded analysis of the financial status of decentralized government units and public enterprises—including all SOEs, PPPs, and public banks—to better understand medium-term fiscal risks, identify vulnerabilities, and facilitate monitoring.

Text Table 2. Republic of Congo: 2023–25 Impact of Key Fiscal Measures Introduced in 2023

Fiscal Measures	Amount Included in Projections (percent non-oil GDP), 2023-25	Details
Revenue		
Recovery of past years SNPC dividends	0.1	Remaining pre-2021 dividends owed by SNPC (CFAF 7 billion) will be recovered during 2023.
Require SNPC pay import VAT and customs duties.	0.5	SNPC will pay VAT on imports of fuel products and customs duties from 2023, estimated to provide annual yields of 0.11 and 0.05 percent of non-oil GDP based on import projections of petroleum products.
Require CORAF to apply VAT, which will flow through to the deregulated retail price.	0.8	Fuel prices will be gradually deregulated during 2023-24 with full VAT application throughout the supply chain, including by CORAF. Assuming retail fuel prices are raised 30 percent in 2023 and 45 percent in 2024, projected yields (in percent non-oil GDP) during 2023-25 from this reform are (i) 0.25 percent in 2023; (ii) 0.29 percent in 2024; and (iii) 0.29 percent in 2025.
Expenditure		
Continued rationalization of transfers and subsidies to inefficient SOEs	3.1	Oil-related transfers decline from 4.3 to 1.2 percent of non-oil GDP between 2022 and 2025.
Expand social assistance	-0.3	Expand the social cash transfer program to protect the most vulnerable from fuel price deregulation.
Total Fiscal Yields	4.2	

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

B. Public Investment and Debt Management

16. **Strengthened public investment management will be fundamental to efficiently meeting Congo's sizeable infrastructure needs, avoiding accumulation of new arrears, and improving governance** (MEFP ¶14–17). Preparing for the adoption of program-based budgeting in 2024, budgeting of commitment authorization and payment credit across all ministries will begin in 2023. Pilot ministries (including the Ministries of Education and Health) are mapping the new public procurement template to the 2023 budget (end-2022 SB) and will not be allowed to procure outside the template (except emergency items approved by the Minister of Finance). An action plan to improve the effectiveness of public investment will be developed based on a recent World Bank-supported survey of past investment. Project planning will be upgraded, including development of a medium-term public investment plan prioritizing projects based on cost-benefit analysis, the NDP, and international commitments (e.g., SDGs, CEMAC's regional economic program)—supported by IMF TA (Climate-Public Investment Management Assessment, C-PIMA) and training.

17. Sustained momentum in debt management reforms will support transparency and debt sustainability. (MEFP ¶18–22).

- To help reduce borrowing costs, contain debt risks, and develop the domestic and regional securities markets, the new medium-term debt management strategy 2023–25 has been translated into the 2023 budget—including loan projections for pilot ministries aligned with the new procurement template and an annual borrowing plan annex in the budget law. Good progress is being made toward enhancing debt monitoring and capacity with upcoming publications of more comprehensive annual debt reports, including SOE coverage, for 2021 (end-March 2023 SB) and 2022 and quarterly detailed debt stock publication.
- To improve its accountability and overcome capacity bottlenecks, the Caisse Congolaise d'Amortissement (CCA) is being restructured—covering adoption of a new structure, appointment and training of staff, and creation of a new procedures' manual.
- All new external financing will be concessional (on a contracted basis), existing local currency debt will not be converted into non-concessional foreign currency debt, and debt will not be guaranteed with future natural resource deliveries.
- Any refinancing of the principal of outstanding external public debt prior to maturity dates must result in an improvement of the paths of debt and debt service indicators applied in the DSA in order to be consistent with the ECF arrangement (TMU ¶10). For example, refinancing that results in the present value of debt-to-GDP consistently exceeding the relevant DSA threshold over the next 5-7 years would likely raise questions about the assessment of Congo's debt being sustainable and would not be consistent with the ECF arrangement.

C. Governance, Transparency, and Broader Structural Reforms

18. Public financial management (PFM) reforms remain critical for budget transparency and credibility (MEFP ¶26–27). New organizational structures are being put in place for the new Ministries of Finance and Budget (¶1). Consistency across the plans for cash flow, commitment, and procurement are improving under the supervision of a dedicated committee. Systems for comprehensive monitoring of public revenue collection and spending are being gradually operationalized. Capacity and financial challenges that have delayed transition to a new financial management information system (SIGFIP) are being addressed, including through more systematic communication across relevant departments and adequate training. Interconnection of information systems across SIGFIP, customs, and tax are progressing but the Treasury still needs to be integrated. Key advances in the Treasury Single Account (TSA) architecture are expected in 2023, including continued bank account closures and the automatic transfer of natural resource sales revenue from public entities to the TSA—which is awaiting finalization of a convention between the BEAC and the Treasury. A legal and regulatory framework for public private partnerships (PPPs) consistent with international best practice is being developed.

19. Concerted efforts are being made to advance the next phase of governance reforms (MEFP ¶28–33). The authorities intend to:

- Enhance the functionality of the Commissions on Transparency and Anti-Corruption with increased financing (included in the 2023 budget). Publication requirements under the Transparency Law are expected to be fulfilled in 2023Q1.

- Address gaps in the asset declaration law during 2023-24 and take stock of progress against recommendations from the 2018 diagnostic report on governance and corruption with a view to developing an action plan for further reforms during 2023—supported by IMF TA in the areas of anti-corruption, rule of law, and AML/CFT. Building on Congo's recently published AML/CFT Mutual Evaluation Report, an AML/CFT action plan is being developed as is a public register in the mining and forestry sectors (end-March 2023 SB), which is expected to improve natural resource management and support investigation of environmental crimes and associated money laundering.

- Pursue recommendations from the audit of COVID-19 related spending to make further progress in the transparency of public procurement, including by publishing names and nationalities of beneficial owners for companies being awarded contracts and by continuing ex-post contract delivery reports.

- Publish the 2021 EITI report. Notably, the oil sector-related 2023 fiscal measures (¶14) advance recent EITI recommendations.

20. Greater financial inclusion will complement governance reforms in support of economic diversification and inclusive growth (MEFP ¶35). The new roadmap for financial inclusion (developed in collaboration with BEAC and COBAC) is being implemented. The authorities are strengthening the legal and judicial systems' ability to address financial litigation, including through decrees set to improve registration processes for real estate securities and for credit and microfinance companies. Financial stability will benefit from the reduction in NPLs as domestic arrears clearance continues.

PROGRAM MODALITIES AND OTHER ISSUES

21. Program financing. The program is fully financed for the next 12 months and good financing prospects for the duration of the program are in place, given substantial net financing needs through 2024 (Text Table 3)—including budget support from the World Bank, the AfDB, and France. This support, combined with financing under the ECF arrangement, are critical for building buffers, given large uncertainties surrounding oil windfalls and the global economic environment, and for efforts to ensure regional stability through accumulation of CEMAC's NFA.

22. Modifications to the program and monitoring. Modifications of the end-December 2022 QPCs on the government's non-oil primary balance and net domestic financing are proposed due to loosening of the 2022 non-oil fiscal position which will be corrected in 2023—as it is not feasible to implement the required measures in the remainder of 2022 (¶5, 10–11, 13). The SB on transitioning to SIGFIP is proposed to be reset from end-2022 to end-2023 (elaborated in ¶18). The SB on procurement is proposed to be refocused on pilot ministries (¶16) to ensure appropriate implementation. Program performance will continue to be monitored through semi-annual program reviews based on periodic and continuous quantitative performance criteria (Table 12), structural benchmarks (Table 13), and prior actions (Table 14).

Text Table 3. Republic of Congo: Financing Needs and Sources, 2022–27
(Millions of U.S. dollars unless otherwise indicated)

	2022	2023	2024	2025	2026	2027
Financing Needs	**10245**	**9533**	**9569**	**9003**	**8784**	**8861**
Current Account Deficit (excl. grants and oil exports)	6304	7221	7833	7487	7449	7662
Amortization of PPG External Debt	1173	860	651	407	364	341
Other net financial flows	1945	869	478	448	566	538
Net Change in Reserves, excluding SDR drawdown	823	582	606	660	405	320
Financing Sources	**9989**	**9180**	**9284**	**9003**	**8784**	**8861**
Oil Exports	8992	8232	8214	7772	7544	7640
Grants	30	70	38	56	63	72
Other Transfers	93	103	167	110	121	134
Project Loans (disbursement)	254	290	302	297	277	209
FDI	495	603	682	802	812	831
Use of SDR Allocation	221	0	0	0	0	0
Exceptional Financing	-96	-119	-119	-33	-33	-24
DSSI	-96	-119	-119	-33	-33	-24
Financing Gap[1]	256	353	285	0	0	0
Budget Support[2]	82	180	198	0	0	0
Prospective IMF ECF	174	172	87	0	0	0
Residual Gap	0	0	0	0	0	0
Memo items:						
Prospective IMF ECF						
(in percent of total donor inflows)	26	29	17	…	…	…
(in percent of budget support and prospective ECF financing)	68	49	30	…	…	…

Sources: BEAC; and IMF staff estimates and projections.

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

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

23. **Congo's capacity to repay the Fund is assessed to be adequate but subject to significant risks (Figure 2, Table 10).** Under the baseline, total Fund credit outstanding (based on existing and prospective drawings) peaks at 220 percent of quota (SDR 356.4 million) and 3.5 percent of GDP in 2024. Debt service to the Fund peaks at 0.5 percent of GDP and 1.9 percent of revenues (excluding grants) in 2029 and 23 percent of total external debt service in 2030. The IMF's share of total external debt remains below 10 percent (Text Table 4). The most significant downside risk, among key risks in ¶9, is a substantial decline in oil prices that could trigger debt sustainability challenges. The most serious implementation risk is a possible faltering commitment to fiscal and governance reforms. Risks are mitigated by the authorities' strong track record of repaying the Fund, past implementation of nine Fund-supported programs, and policy measures envisaged in the

program. The authorities' implementation capacity is good as demonstrated by fiscal discipline during the pandemic and implementation of structural reforms even when the previous ECF arrangement went off-track. The post-Presidential election reform mandate will support continued progress in implementation capacity.

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

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

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Senior Debt	**2145**	**2191**	**2271**	**2364**	**2503**	**2550**	**2571**	**2562**	**2533**	**2473**	**2432**
Multilateral	1293	1851	2250	2364	2503	2550	2571	2562	2533	2473	2432
IMF	206	379	466	460	459	448	427	411	406	402	397
Non-IMF	1087	1473	1783	1904	2044	2102	2144	2152	2127	2071	2035
Private Collateralized Debt (Oil-prepurchased)	852	339	21	0	0	0	0	0	0	0	0
Non-Senior Debt	**3477**	**3080**	**2816**	**2576**	**2319**	**2070**	**1964**	**1935**	**1897**	**1859**	**1822**
Official bilateral	2585	2308	2126	1970	1825	1749	1706	1677	1640	1601	1564
Paris Club	402	386	371	364	336	314	297	282	262	243	220
Brazil	82	75	68	62	58	55	52	48	41	36	31
Belgium	118	94	72	56	40	27	19	15	15	15	15
France	173	198	221	243	237	232	225	218	206	191	173
Russia	26	18	10	2	0	0	0	0	0	0	0
Switzerland	3	0	0	0	0	0	0	0	0	0	0
Non-Paris Club	2183	1922	1756	1606	1489	1435	1409	1396	1378	1359	1345
China	1784	1554	1418	1291	1193	1155	1136	1129	1117	1103	1091
India	94	78	62	47	36	29	24	19	15	13	13
Kuwait	50	50	50	50	49	47	45	43	41	38	36
Turkey	56	41	25	17	8	0	0	0	0	0	0
Others	93	93	93	93	93	94	95	95	95	95	95
Pre-HIPC arrears (not restructured)	107	107	108	108	109	110	110	110	110	110	110
Private Creditors	**892**	**771**	**689**	**607**	**494**	**321**	**257**	**257**	**257**	**257**	**257**
Chinese companies	306	257	208	159	110	0	0	0	0	0	0
London Club (eurobond)	191	164	138	107	71	35	0	0	0	0	0
Afreximbank	44	3	0	0	0	0	0	0	0	0	0
Suppliers	351	347	344	341	313	286	257	257	257	257	257
Total	**5623**	**5270**	**5086**	**4940**	**4822**	**4620**	**4535**	**4497**	**4431**	**4332**	**4254**
o/w Multilateral	1293	1851	2250	2364	2503	2550	2571	2562	2533	2473	2432
o/w Official Bilateral	2585	2308	2126	1970	1825	1749	1706	1677	1640	1601	1564
o/w Private	1745	1111	710	607	494	321	257	257	257	257	257
Shares											
IMF (in percent of Multilateral)	15.9	20.5	20.7	19.5	18.3	17.6	16.6	16.0	16.0	16.2	16.3
IMF (in percent Total)	3.7	7.2	9.2	9.3	9.5	9.7	9.4	9.1	9.2	9.3	9.3
Multilateral (in percent Total)	23.0	35.1	44.2	47.8	51.9	55.2	56.7	57.0	57.2	57.1	57.2
Official (in percent Total)	46.0	43.8	41.8	39.9	37.8	37.9	37.6	37.3	37.0	37.0	36.8
Private (in percent Total)	15.9	14.6	13.6	12.3	10.3	7.0	5.7	5.7	5.8	5.9	6.1

Sources: Congolese authorities; and IMF staff estimates.

24. **An updated safeguards assessment of BEAC was completed in April 2022.** Findings indicate that BEAC maintained strong governance arrangements and transitioned to international financial reporting standards (IFRS). Nonetheless, staff recommended that BEAC strengthen its internal audit mechanisms and risk management, as well as its cyber resilience and business continuity framework.

25. Regional assurances. The BEAC met its end-June 2022 NFA target and has provided updated policy assurances in support of CEMAC countries' Fund-supported programs. The loosening of Congo's 2022 fiscal position is projected to reduce Congo's contribution to regional reserves by CFAF 60 billion (relative to CR 22/226) but this is expected to be substantially more than offset in 2023 as a result of policies, including corrective actions. BEAC remains committed to maintaining an appropriate monetary policy stance, together with member states implementing fiscal adjustment agreed in the context of IMF-supported programs, to support external reserves build-up. As part of measures to support the reserve position, it has (i) raised the policy rate (TIAO) and marginal lending facility by 50 basis points in March 2022 to help contain inflationary pressures; (ii) increased the interest rate on the liquidity absorption window by 25 basis points in February 2022 to reduce excess liquidity, stimulate the interbank market, and improve monetary policy transmission; and (iii) reduced weekly liquidity injections to CFAF 140 billion in July 2022. BEAC will also continue to work towards effective application of the foreign exchange regulation, including by implementing the recently agreed adaptations for the extractive sector from 2022. The regional assurances on regional NFA are critical for the success of Congo's Fund-supported program and will help bolster the region's external sustainability.

26. External arrears. Congo has external arrears to both official bilateral and commercial creditors:

- With respect to official bilateral arrears, agreements in principle with Brazil and Russia (not covered by DSSI) to regularize these arrears are pending finalization.[6, 7] The authorities are also engaged in the resolution of external arrears owed to India's Exim Bank ($23 million, not covered by DSSI).

- Congo continues to have external commercial arrears, although arrears to one supplier were repaid and agreements concluded on arrears payments to two Chinese commercial companies. The authorities are also engaged in good faith efforts to resolve arrears owed to another Chinese commercial company ($25 million), and 9 more suppliers ($17 million). As required under the Lending into Arrears (LIA) policy, Congo continues to maintain good faith efforts to resolve arrears owed to external commercial creditors. As prompt Fund financial support is considered essential for the successful implementation of Congo's program and Congo is pursuing appropriate policies, the Fund may provide financing to Congo notwithstanding its external arrears to commercial creditors.

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

[7] Arrears to Angola are deemed away based on Paris Club agreed minutes underpinning HIPC.

- The authorities contest $245 million of arrears owed to a supplier as part of a broader litigation case[8]; and have requested HIPC treatment for another $203 million of pre-HIPC arrears.

- A financing assurances review has been completed. Financing assurances reviews will continue to be conducted at each review of the ECF-supported program until external sovereign and commercial arrears are cleared.

27. Statistical issues and capacity development (CD). Data provision is broadly adequate for program monitoring. Aligned with program objectives and the Capacity Development Strategy (CR 21/225), CD prioritizes tax policy and administration, PFM reforms, debt management, statistics—where shortcomings in national accounts, monetary, fiscal, external sector, debt, and high-frequency statistics need to be addressed—and the anti-corruption framework and its operationalization. Congo is a medium-intensity user of Fund TA with a mixed implementation record.

STAFF APPRAISAL

28. Deep structural and governance reforms will be necessary to maintain a positive economic outlook and exit fragility. Economic activity is gaining momentum owing to improved oil production, mining, and government spending. However, increased food inflation brought on by the ripple effects of Russia's war in Ukraine worsened Congo's already high food insecurity—resulting from limited agricultural production and high reliance on food imports. Supporting sustainable development and food security requires markedly scaling up public infrastructure, healthcare, education, and social assistance spending combined with enabling private investment in agriculture and other non-oil sectors through improved governance and business environments. The NDP 2022–26 supports these reforms and, more broadly meets the requirements of a Poverty Reduction and Growth Strategy as it was developed in close consultation with the World Bank and other development partners.

29. Implementing these much-needed reforms amid high debt levels will rely on the authorities' commitment to creating fiscal space through rationalization of non-priority spending and domestic revenue mobilization. The substantial fiscal space created by reducing oil-related subsidies and transfers—net of transfers to protect the most vulnerable such as subsidies for cooking oil and public transport, and social assistance—will be key to this process. The freed finances combined with more comprehensive taxation of large SOEs (especially in the oil sector), broadening of the tax base, and steady collection of tax arrears will facilitate accelerated development spending and payment of domestic arrears while maintaining debt sustainability. Accompanying energy sector SOE reforms will reduce fiscal risks and, in the case of CEC, electricity

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

costs. Oil revenues will continue to finance high external debt service, non-oil primary fiscal deficits, and building of buffers against future shocks in a highly uncertain global environment.

30. Greater momentum in reforms spanning public investment, debt management, and broader public financial management is needed to support effective implementation of the strategy outlined above. As more resources become available for public investment, it is even more imperative to upgrade project planning—emphasizing implementation within the context of a medium-term investment plan and systematic project prioritization based on cost-benefit analysis and development objectives—procurement, and spending efficiency. Debt management should focus on keeping borrowing costs low and avoiding further arrears accumulation. Risk premiums could be lowered through measures underway to improve debt statistics and transparency of debt operations. In this regard, it will be critical for the authorities to develop capacity and continue to improve information sharing and coordination across the relevant agencies. Progress in PFM reforms, including cash management and TSA reforms, is essential to transparent budget execution and credibility. For example, establishing interconnection of information systems across all public financial management institutions, including the Treasury, is critical to comprehensive monitoring of public revenue collection and spending.

31. Efforts to advance implementation of the new anti-corruption and transparency architecture must be sustained, particularly to improve the business environment. Financing for the Commissions on Anti-Corruption and Transparency (from the budget and development partners) should continue to be increased—facilitating access to information that reduces corruption vulnerabilities. In the same vein, it would be important to swiftly address gaps in the asset declaration law and AML/CFT, beginning with action plans for further reforms based on progress against recommendations from the 2018 diagnostic report on governance and corruption and the AML/CFT Mutual Evaluation Report.

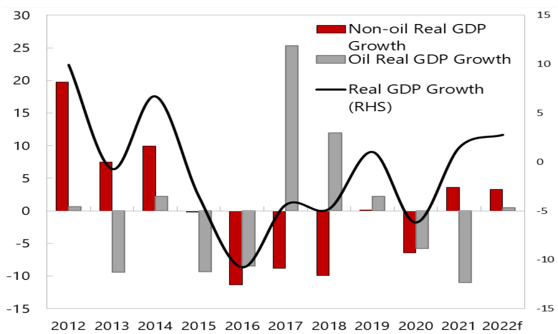
32. While good progress has been made in advancing structural reforms, quantitative program performance in 2022H2 was weak. This led to substantially missing three performance criteria but serious corrective measures have been taken to address these breaches. These measures, including strong prior actions (Table 14), reflect a renewed commitment to the program.

33. Based on the strength of the authorities' program, the implementation of the end-December 2022 regional policy assurance and regional policy assurances established in the December 2022 union-wide paper, staff supports the completion of the second review under the ECF arrangement, the request for waivers of non-observance for not contracting new non-concessional external debt and the end-June 2022 PCs on the non-oil primary balance and net domestic financing, and the request for modification of the end-December 2022 performance criteria for the government's non-oil primary balance and net domestic financing. Staff proposes completion of the financing assurances review. Staff proposes that completion of the third review under the ECF arrangement be conditional on the implementation of critical policy assurances at the union level established in the December 2022 union-wide background paper.

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

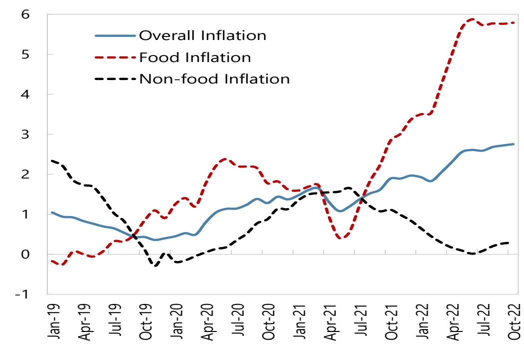
Real GDP growth is recovering with modestly improved oil production and stable non-oil growth.

Real GDP Growth (Percent)



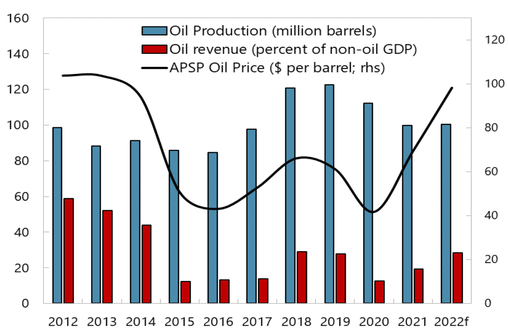
Inflation is rising, driven by rapidly growing food prices.

Inflation (Average y/y % Change)

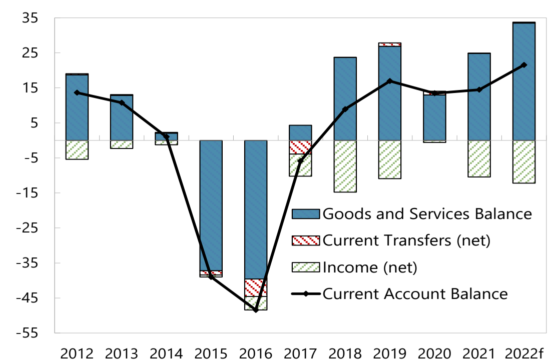


Oil production has been suppressed due to lower investment during the pandemic, but high oil prices have buoyed oil revenues…

Oil

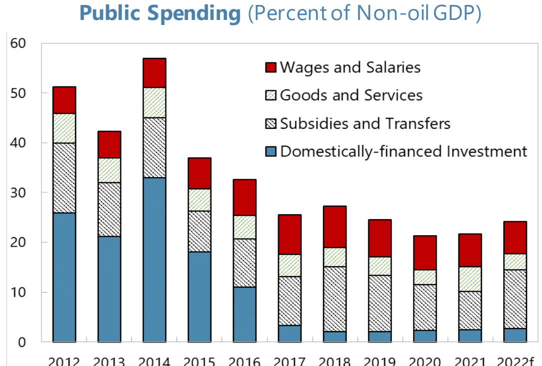


…and the current account has improved accordingly.



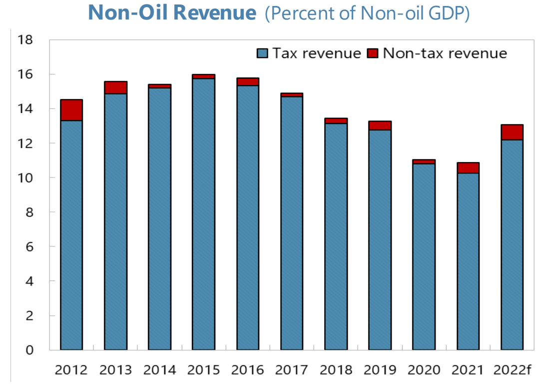
After three years of restraint, public spending is expanding due to the introduction of new fuel subsidies.

Public Spending (Percent of Non-oil GDP)



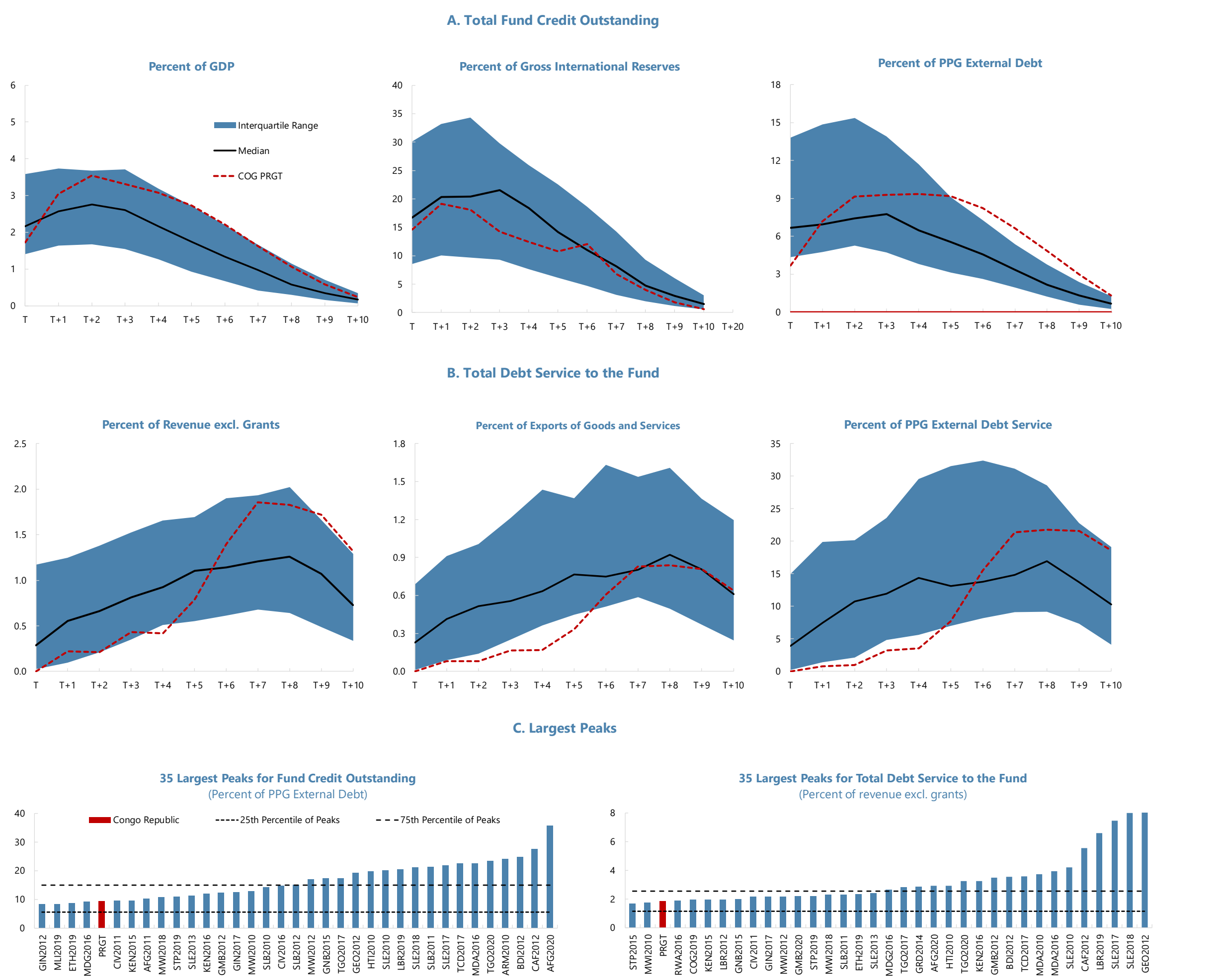
Non-oil revenues are improving with continued reforms in tax policy and administration.

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



Sources: Congolese Authorities and IMF Staff Estimates and Projections.

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



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

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

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

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

[4] PPG refers to public and publicly guaranteed.

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

Table 1. Republic of Congo: Selected Economic and Financial Indicators, 2021–27[1]

	2021	2022	2022	2023	2024	2025	2026	2027
	Est.	CR 22/226			Proj.			
	(Annual percentage change unless otherwise indicated)							
Production and prices								
GDP at constant prices	1.5	4.3	2.8	4.1	4.6	3.5	4.0	4.1
Oil	-11.0	6.1	0.5	4.4	6.5	-0.3	-0.2	0.0
Non-oil	3.6	3.3	3.3	4.0	4.0	4.5	5.0	5.0
GDP at current prices	11.4	24.5	16.4	4.1	5.5	4.9	5.8	6.2
GDP deflator	9.7	19.3	13.2	0.0	0.8	1.4	1.8	2.0
Non-oil	1.8	3.6	3.6	3.3	3.2	3.1	3.0	3.0
Consumer prices (period average)	2.0	3.5	3.5	3.3	3.2	3.1	3.0	3.0
Consumer prices (end of period)	1.5	3.5	3.5	3.3	3.2	3.1	3.0	3.0
External sector								
Exports, f.o.b.	62.8	47.7	44.6	-4.7	0.1	-2.9	-2.1	2.4
Imports, f.o.b.	16.6	43.6	37.8	15.4	7.1	0.0	4.0	5.1
Export volume	29.7	3.9	1.7	2.5	5.1	7.2	1.9	7.4
Import volume	12.1	13.9	5.8	12.9	9.5	0.8	1.6	5.5
Terms of trade (deterioration -)	21.5	16.2	11.9	-9.2	-2.5	-8.7	-6.4	-4.4
Current account balance (percent of GDP)	14.5	19.2	21.6	8.5	3.1	2.4	1.0	0.3
BEAC's net foreign assets	-37.9	119.2	97.1	48.8	41.4	37.5	16.6	11.5
External public debt (percent of GDP)	61.5	47.8	46.9	41.7	37.5	34.1	31.1	28.0
Monetary sector								
Broad money	5.9	19.2	9.3	15.7	6.5	9.9	8.8	4.9
Credit to the private sector	9.6	4.6	3.5	3.8	5.7	6.0	6.4	6.6
	(Percent of GDP)							
Investment and saving								
Gross national saving	36.3	45.8	48.4	36.4	30.9	30.0	27.9	26.3
Gross investment	21.8	26.6	26.8	27.9	27.8	27.6	26.9	26.0
	(Percent of non-oil GDP, unless otherwise indicated)							
Central government finances								
Total revenue	30.7	48.3	42.2	40.2	38.6	36.0	34.3	33.8
Oil revenue	19.2	32.4	28.4	25.0	23.1	20.2	18.1	17.3
Nonoil revenue (including grants)	11.5	15.9	13.9	15.2	15.4	15.8	16.3	16.5
Total expenditure and net lending	28.5	34.1	33.0	32.0	30.5	30.5	29.5	28.3
Current	24.3	27.2	26.8	24.4	23.3	23.1	22.4	21.5
Capital (and net lending)	4.2	6.8	6.3	7.6	7.2	7.4	7.2	6.8
Overall balance (deficit -, payment order basis)	2.2	14.3	9.2	8.2	8.0	5.5	4.8	5.5
Overall balance (deficit -, payment order basis, percent of GDP)	1.8	8.1	6.9	6.3	6.3	4.5	3.9	4.6
Non-oil primary balance (- = deficit)	-14.2	-14.6	-15.7	-13.3	-11.7	-11.5	-10.0	-8.8
Basic primary fiscal balance (- = deficit)[2]	5.0	20.7	12.7	11.6	11.5	8.8	8.1	8.5
Basic non-oil primary balance (- = deficit)[3]	-13.1	-11.7	-13.0	-10.3	-8.8	-8.9	-7.8	-7.3
Reference fiscal balance (percent of GDP)[4]	-0.9	-1.2	-4.0	-1.9	1.4	2.3	1.9	1.8
Primary balance (percent of GDP)	4.1	10.2	9.5	9.0	9.0	7.1	6.6	7.1
Financing gap (in percent of GDP)	0.4	2.5	2.0	2.8	2.1	0.0	0.0	0.0
Total public debt (percent of GDP)[5]	107.9	94.0	99.1	92.8	84.6	80.4	75.8	70.7
	(Percent of total government revenue excluding grants)							
External public debt service	33.2	38.9	37.8	29.0	22.0	13.3	11.6	10.1
	(Billions of CFA francs, unless otherwise indicated)							
Nominal GDP	6,723	8,802	7,825	8,144	8,588	9,011	9,537	10,126
Nominal oil GDP	1,271	3,791	1,990	1,877	1,860	1,760	1,695	1,646
Nominal non-oil GDP	5,452	5,011	5,834	6,266	6,728	7,250	7,841	8,480
Nominal GDP in US$ (millions)	12,131	15,129	12,608	12,725	13,455	14,201	15,127	16,170
Congolese oil price (U.S. dollars per barrel)	69	96	96	84	79	75	73	71
Brent Price (U.S dollars per barrel)	71	111	101	89	83	80	77	75
Oil production (Millions of barrels)	100	106	100	105	112	111	111	111
Nominal Exchange rate (CFA/USD, period average)	554	...	...	...	...	...	...	...
REER (percentage change)	...	...	...	...	...	...	...	...

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

[1] In line with continued improvements in compilation of statistics, supported technical assistance from the IMF and other development partners, historical GDP and BoP statistics have been revised. Overall nominal GDP and nominal oil GDP have been revised up and nominal non-oil GDP has been revised down, relative to CR 22/226.

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

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

[4] 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.

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

Table 2a. Republic of Congo: Central Government Operations, 2021–27[1]

(Billions of CFA francs)

	2021	2022	2022	2022	2023	2024	2025	2026	2027
	Est.	Budget	CR 22/226			Proj.			
Total Revenue and Grants	1,674	1,836	2,421	2,465	2,518	2,596	2,611	2,693	2,868
Revenue	1,642	1,799	2,383	2,418	2,445	2,540	2,541	2,617	2,784
Oil revenue	1,049	1,060	1,625	1,656	1,564	1,557	1,468	1,418	1,467
of which: oil transfers	97	...	79	251	125	70	84	66	66
Non-oil revenue	593	739	758	762	881	983	1,073	1,199	1,317
Direct taxes	201	282	290	290	318	349	384	424	469
Taxes on goods and services	244	295	288	292	350	400	448	494	545
Customs Receipts	114	124	141	129	166	186	193	230	250
Non-tax revenue	34	38	38	50	48	48	48	50	53
Grants	32	37	39	47	74	56	70	76	84
Expenditure and Net Lending	1,553	1,661	1,707	1,927	2,006	2,055	2,209	2,317	2,403
Current expenditure	1,326	1,332	1,364	1,562	1,531	1,570	1,676	1,755	1,822
Wages	359	379	379	379	406	436	470	509	550
Other primary current expenditure	780	739	764	936	865	860	927	946	984
Goods and services	265	187	190	190	208	216	249	259	279
Transfers	421	487	511	683	594	578	609	616	642
Social Transfers (Lisungi, COVID-19 and others)	92	186	127	127	162	171	185	200	216
Oil-related transfers	97	77	79	251	125	70	84	66	66
Other transfers	232	224	305	305	307	337	341	350	360
Common charges	94	65	63	63	63	67	69	71	63
Annex budgets and special Accounts[1]	35	42	42	42	42	43	44	43	32
Interest	153	172	179	205	217	231	234	257	256
Domestic	75	...	71	95	135	163	177	203	205
External	77	...	108	110	82	68	57	54	51
of which: COVID-19 Moratorium Loan (interest)	2	...	3	4	3	2	1	1	0
of which: on oil-prepurchased debt	22	...	29	30	18	8	0	0	0
Capital expenditure	227	329	343	365	475	485	533	562	581
Domestically financed	136	161	161	161	215	237	275	311	366
Externally financed	91	168	182	204	260	248	258	251	215
Non-oil primary balance[2]	-775	-713	-731	-914	-834	-786	-832	-785	-746
Basic non-oil primary balance[3]	-717	-582	-588	-756	-648	-593	-643	-610	-615
— excluding oil-related transfers[4]	-620	-582	-510	-506	-523	-523	-560	-544	-549
Primary balance	274	347	893	742	730	771	636	633	721
Overall balance, payment order basis									
Excluding grants	89	138	676	490	439	485	332	300	381
Including grants	121	175	714	537	513	541	402	376	465
Overall balance, cash basis	121	175	714	537	513	541	402	376	465
Financing	-146	-583	-937	-696	-738	-723	-402	-376	-465
Foreign (net)	-331	-310	-676	-639	-441	-299	-91	-76	-98
Drawings	79	131	143	157	186	193	188	175	131
COVID-19 Moratorium Loan	90	...	0	0	0	0	0	0	0
Amortization (paid)	-421	-441	-819	-802	-627	-492	-279	-250	-229
of which: COVID-19 Moratorium Loan (principal and interest)	0	...	57	61	77	77	21	21	21
of which: on oil-prepurchased debt	-124	...	-336	-362	-330	-217	-13	0	0
Other foreign financing	-79	...	0	0	0	0	0	0	0
Domestic (net)	185	-273	-262	-57	-297	-424	-310	-301	-367
Banking system (net)	423	119	72	288	-98	-326	-234	-63	-160
Central bank	1	119	-166	82	-392	-412	-492	-421	-445
of which: Use of SDR Allocations	33	...	120	120	...	...	...	...	
Commercial banks[5]	422	...	237	206	294	87	257	358	285
Nonbank financing[5]	-239	-392	-334	-346	-200	-98	-76	-238	-207
Of which: Repayment of domestic arrears	-314	...	-402	-365	-200	-208	-155	-136	-100
Of which: Chinese companies				-43	-39	-40	-14	-45	-45
Financing gap (- = surplus)	25	408	223	159	226	182	0	0	0
Expected financing (excluding IMF)	0	...	65	51	115	126	0	0	0
IMF-ECF	0	...	158	108	110	55	0	0	0
Residual financing gap	25	...	0	0	0	0	0	0	0
Memorandum items:									
Stock of domestic arrears[6]	1,014	...	1,250	1,516	1,292	978	787	636	535
Stock of government deposits	219	...	386	365	867	1,335	1,800	2,198	2,613
CEMAC Reference fiscal balance[7]	-60	...	-106	-314	-156	122	208	183	183
GDP at current market prices[8]	6,723	7,825	8,802	7,825	8,144	8,588	9,011	9,537	10,126
Non-oil GDP at market prices[8]	5,452	5,834	5,011	5,834	6,266	6,728	7,250	7,841	8,480

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

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

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

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

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

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

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

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

[8] In line with continued improvements in compilation of statistics, supported technical assistance from the IMF and other development partners, historical GDP and BoP statistics have been revised. Overall nominal GDP and nominal oil GDP have been revised up and nominal non-oil GDP has been revised down, relative to CR 22/226.

Table 2b. Republic of Congo: Central Government Operations, 2021–27[1]

(Percent of non-oil GDP)

	2021	2022	2022	2022	2023	2024	2025	2026	2027
	Est.	Budget	CR 22/226			Proj.			
Total Revenue and Grants	30.7	31.5	48.3	42.2	40.2	38.6	36.0	34.3	33.8
Revenue	30.1	30.8	47.5	41.4	39.0	37.8	35.0	33.4	32.8
Oil revenue	19.2	18.2	32.4	28.4	25.0	23.1	20.2	18.1	17.3
of which: oil transfers	1.8	0.0	1.6	4.3	2.0	1.0	1.2	0.8	*0.8*
Non-oil revenue	10.9	12.7	15.1	13.1	14.1	14.6	14.8	15.3	15.5
Direct taxes	3.7	4.8	5.8	5.0	5.1	5.2	5.3	5.4	5.5
Taxes on goods and services	4.5	5.1	5.7	5.0	5.6	5.9	6.2	6.3	6.4
Customs receipts	2.1	2.1	2.8	2.2	2.6	2.8	2.7	2.9	2.9
Non-tax revenue	0.6	0.7	0.8	0.9	0.8	0.7	0.7	0.6	0.6
Grants	0.6	0.6	0.8	0.8	1.2	0.8	1.0	1.0	1.0
Expenditure and Net Lending	28.5	28.5	34.1	33.0	32.0	30.5	30.5	29.5	28.3
Current expenditure	24.3	22.8	27.2	26.8	24.4	23.3	23.1	22.4	21.5
Wages	6.6	6.5	7.6	6.5	6.5	6.5	6.5	6.5	6.5
Other primary current expenditure	14.3	12.7	15.2	16.0	13.8	12.8	12.8	12.1	11.6
Goods and services	4.9	3.2	3.8	3.3	3.3	3.2	3.4	3.3	3.3
Transfers	7.7	8.3	10.2	11.7	9.5	8.6	8.4	7.9	7.6
Social Transfers (Lisungi, COVID-19 and others)	1.7	3.2	2.5	2.2	2.6	2.5	2.5	2.5	2.5
Oil-related transfers	1.8	1.3	1.6	4.3	2.0	1.0	1.2	0.8	0.8
Other transfers	4.3	3.8	6.1	5.2	4.9	5.0	4.7	4.5	4.2
Common charges	1.7	1.1	1.3	1.1	1.0	1.0	1.0	0.9	0.7
Annex budgets and special Accounts[2]	0.6	0.7	0.8	0.7	0.7	0.6	0.6	0.6	0.4
Interest	2.8	2.9	3.6	3.5	3.5	3.4	3.2	3.3	3.0
Domestic	1.4	0.0	1.4	1.6	2.2	2.4	2.4	2.6	2.4
External	1.4	0.0	2.2	1.9	1.3	1.0	0.8	0.7	0.6
of which: COVID-19 Moratorium Loan (interest)	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0
of which: on oil-prepurchased debt	0.4	0.0	0.6	0.5	0.3	0.1	0.0	0.0	0.0
Capital expenditure	4.2	5.6	6.8	6.3	7.6	7.2	7.4	7.2	6.8
Domestically financed	2.5	2.8	3.2	2.8	3.4	3.5	3.8	4.0	4.3
Externally financed	1.7	2.9	3.6	3.5	4.1	3.7	3.6	3.2	2.5
Non-oil primary balance[3]	-14.2	-12.2	-14.6	-15.7	-13.3	-11.7	-11.5	-10.0	-8.8
Basic non-oil primary balance[4]	-13.1	-10.0	-11.7	-13.0	-10.3	-8.8	-8.9	-7.8	-7.3
— excluding oil-related transfers[5]	-11.4	-10.0	-10.2	-8.7	-8.4	-7.8	-7.7	-6.9	-6.5
Primary balance	5.0	5.9	17.8	12.7	11.6	11.5	8.8	8.1	8.5
Overall balance, payment order basis									
Excluding grants	1.6	2.4	13.5	8.4	7.0	7.2	4.6	3.8	4.5
Including grants	2.2	3.0	14.3	9.2	8.2	8.0	5.5	4.8	5.5
Overall balance, cash basis	2.2	3.0	14.3	9.2	8.2	8.0	5.5	4.8	5.5
Financing	-2.7	-10.0	-18.7	-11.9	-11.8	-10.7	-5.5	-4.8	-5.5
Foreign (net)	-6.1	-5.3	-13.5	-11.0	-7.0	-4.4	-1.3	-1.0	-1.2
Drawings	1.5	2.2	2.9	2.7	3.0	2.9	2.6	2.2	1.5
COVID-19 Moratorium Loan	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (paid)	-7.7	-7.6	-16.3	-13.8	-10.0	-7.3	-3.9	-3.2	-2.7
of which: COVID-19 Moratorium Loan (principal and interest)	0.0	0.0	1.1	1.0	1.2	1.1	0.3	0.3	0.2
of which: on oil-prepurchased debt	-2.3	0.0	-6.7	-6.2	-5.3	-3.2	-0.2	0.0	0.0
Other foreign financing	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	3.4	-4.7	-5.2	-1.0	-4.7	-6.3	-4.3	-3.8	-4.3
Banking system (net)	7.8	2.0	1.4	4.9	-1.6	-4.8	-3.2	-0.8	-1.9
Central bank	0.0	2.0	-3.3	1.4	-6.3	-6.1	-6.8	-5.4	-5.3
of which Use of SDR Allocations	0.6	...	2.4	2.1	...	...	...	...	...
Commercial banks[6]	7.7	0.0	4.7	3.5	4.7	1.3	3.5	4.6	3.4
Nonbank financing[6]	-4.4	-6.7	-6.7	-5.9	-3.2	-1.5	-1.0	-3.0	-2.4
Of which: Repayment of domestic arrears	-5.8	0.0	-8.0	-6.3	-3.2	-3.1	-2.1	-1.7	-1.2
Of which: Chinese companies				-0.7	-0.6	-0.6	-0.2	-0.6	-0.5
Financing gap (- = surplus)	0.5	7.0	4.5	2.7	3.6	2.7	0.0	0.0	0.0
Expected financing (excluding IMF)	0.0	...	1.3	0.9	1.8	1.9	0.0	0.0	0.0
IMF-ECF	0.0	...	3.2	1.9	1.8	0.8	0.0	0.0	0.0
Residual financing gap	0.5	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Stock of domestic arrears[7]	18.6	...	25.0	26.0	20.6	14.5	10.9	8.1	6.3
Stock of government deposits	4.0	...	7.7	6.3	13.8	19.8	24.8	28.0	30.8
CEMAC Reference fiscal balance[8]	-1.1	...	-2.1	-5.4	-2.5	1.8	2.9	2.3	2.2
GDP at current market prices (CFAF billion)	6,723	7,825	8,802	7,825	8,144	8,588	9,011	9,537	10,126.5
Non-oil GDP at market prices (CFAF billion)	5,452	5,834	5,011	5,834	6,266	6,728	7,250	7,841	8,480

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

[1] In line with continued improvements in compilation of statistics, supported technical assistance from the IMF and other development partners, historical GDP and BoP statistics have been revised. Overall nominal GDP and nominal oil GDP have been revised up and nominal non-oil GDP has been revised down, relative to CR 22/226.

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

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

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

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

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

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

[8] 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, 2021–27[1]

(Percent of GDP)

	2021	2022	2022	2022	2023	2024	2025	2026	2027
	Est.	Budget	CR 22/226			Proj.			
Total Revenue and Grants	24.9	23.5	27.5	31.5	30.9	30.2	29.0	28.2	28.3
Revenue	24.4	23.0	27.1	30.9	30.0	29.6	28.2	27.4	27.5
Oil revenue	15.6	13.5	18.5	21.2	19.2	18.1	16.3	14.9	14.5
Non-oil revenue	8.8	9.4	8.6	9.7	10.8	11.4	11.9	12.6	13.0
Direct taxes	3.0	3.6	3.3	3.7	3.9	4.1	4.3	4.5	4.6
Taxes on goods and services	3.6	3.8	3.3	3.7	4.3	4.7	5.0	5.2	5.4
Customs Receipts	1.7	1.6	1.6	1.6	2.0	2.2	2.1	2.4	2.5
Non-tax revenue	0.5	0.5	0.4	0.6	0.6	0.6	0.5	0.5	0.5
Grants	0.5	0.5	0.4	0.6	0.9	0.6	0.8	0.8	0.8
Expenditure and Net Lending	23.1	21.2	19.4	24.6	24.6	23.9	24.5	24.3	23.7
Current expenditure	19.7	17.0	15.5	20.0	18.8	18.3	18.6	18.4	18.0
Wages	5.3	4.8	4.3	4.8	5.0	5.1	5.2	5.3	5.4
Other primary current expenditure	11.6	9.4	8.7	12.0	10.6	10.0	10.3	9.9	9.7
Goods and services	3.9	2.4	2.2	2.4	2.6	2.5	2.8	2.7	2.8
Transfers	6.3	6.2	5.8	8.7	7.3	6.7	6.8	6.5	6.3
Social Transfers (Lisungi, COVID-19 and others)	1.4	2.4	1.4	1.6	2.0	2.0	2.0	2.1	2.1
Oil-related transfers	1.4	1.0	0.9	3.2	1.5	0.8	0.9	0.7	0.7
Other transfers	3.5	2.9	3.5	3.9	3.8	3.9	3.8	3.7	3.6
Common charges	1.4	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.6
Annex budgets and special Accounts[2]	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.3
Interest	2.3	2.2	2.0	2.6	2.7	2.7	2.6	2.7	2.5
Domestic	1.1	0.0	0.8	1.2	1.7	1.9	2.0	2.1	2.0
External	1.1	0.0	1.2	1.4	1.0	0.8	0.6	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	0.3	0.0	0.3	0.4	0.2	0.1	0.0	0.0	0.0
Capital expenditure	3.4	4.2	3.9	4.7	5.8	5.6	5.9	5.9	5.7
Domestically financed	2.0	2.1	1.8	2.1	2.6	2.8	3.1	3.3	3.6
Externally financed	1.4	2.1	2.1	2.6	3.2	2.9	2.9	2.6	2.1
Non-oil primary balance[3]	-11.5	-9.1	-8.3	-11.7	-10.2	-9.2	-9.2	-8.2	-7.4
Basic non-oil primary balance[4]	-10.7	-7.4	-6.7	-9.7	-8.0	-6.9	-7.1	-6.4	-6.1
— excluding oil-related transfers[5]	-9.2	-7.4	-5.8	-6.5	-6.4	-6.1	-6.2	-5.7	-5.4
Primary balance	4.1	4.4	10.2	9.5	9.0	9.0	7.1	6.6	7.1
Overall balance, payment order basis									
Excluding grants	1.3	1.8	7.7	6.3	5.4	5.7	3.7	3.1	3.8
Including grants	1.8	2.2	8.1	6.9	6.3	6.3	4.5	3.9	4.6
Overall balance, cash basis	1.8	2.2	8.1	6.9	6.3	6.3	4.5	3.9	4.6
Financing	-2.2	-7.5	-10.6	-8.9	-9.1	-8.4	-4.5	-3.9	-4.6
Foreign (net)	-4.9	-4.0	-7.7	-8.2	-5.4	-3.5	-1.0	-0.8	-1.0
Drawings	1.2	1.7	1.6	2.0	2.3	2.2	2.1	1.8	1.3
COVID-19 Moratorium Loan	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (paid)	-6.3	-5.6	-9.3	-10.3	-7.7	-5.7	-3.1	-2.6	-2.3
of which: COVID-19 Moratorium Loan (principal and interest)	0.0	0.0	0.6	0.8	1.0	0.9	0.2	0.2	0.2
of which: on oil-prepurchased debt	-1.8	0.0	-3.8	-4.6	-4.0	-2.5	-0.1	0.0	0.0
Other foreign financing	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	2.8	-3.5	-3.0	-0.7	-3.7	-4.9	-3.4	-3.2	-3.6
Banking system (net)	6.3	1.5	0.8	3.7	-1.2	-3.8	-2.6	-0.7	-1.6
Central bank	0.0	1.5	-1.9	1.1	-4.8	-4.8	-5.5	-4.4	-4.4
of which Use of SDR Allocations	0.5	…	1.4	1.5	…	…	…	…	…
Commercial banks[6]	6.3	0.0	2.7	2.6	3.6	1.0	2.9	3.8	2.8
Nonbank financing[6]	-3.5	-5.0	-3.8	-4.4	-2.5	-1.1	-0.8	-2.5	-2.0
Of which: Repayment of domestic arrears	-4.7	0.0	-4.6	-4.7	-2.5	-2.4	-1.7	-1.4	-1.0
Of which: Chinese companies			0.0	-0.6	-0.5	-0.5	-0.2	-0.5	-0.4
Financing gap (- = surplus)	0.4	5.2	2.5	2.0	2.8	2.1	0.0	0.0	0.0
Expected financing (excluding IMF)	0.0	…	0.7	0.6	1.4	1.5	0.0	0.0	0.0
IMF-ECF	0.0	…	1.8	1.4	1.4	0.6	0.0	0.0	0.0
Residual financing gap	0.4	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Stock of domestic arrears[7]	15.1	…	14.2	19.4	15.9	11.4	8.7	6.7	5.3
Stock of government deposits	3.3	…	4.4	4.7	10.6	15.5	20.0	23.0	25.8
CEMAC Reference fiscal balance[8]	-0.9	…	-1.2	-4.0	-1.9	1.4	2.3	1.9	1.8
GDP at current market prices	6,723	7,825	8,802	7,825	8,144	8,588	9,011	9,537	10,126
Non-oil GDP at market prices	5,452	5,834	5,011	5,834	6,266	6,728	7,250	7,841	8,480

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

[1] In line with continued improvements in compilation of statistics, supported technical assistance from the IMF and other development partners, historical GDP and BoP statistics have been revised. Overall nominal GDP and nominal oil GDP have been revised up and nominal non-oil GDP has been revised down, relative to CR 22/226.

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

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

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

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

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

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

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

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

(Billions of CFA francs)

	2022					2023				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
	Prel.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	567	857	633	407	2,465	468	609	653	789	2,518
Revenue	537	846	629	406	2,418	457	590	633	765	2,445
Oil revenue	362	666	431	197	1,656	266	375	407	516	1,564
of which: repayment of oil-prepurchased debt	29	92	65	64	251	25	33	25	43	125
Non-oil revenue	175	180	198	209	762	191	214	226	249	881
Direct taxes	71	74	75	69	290	70	80	83	86	318
Taxes on goods and services	60	59	76	98	292	77	87	91	94	350
Customs Receipts	33	34	34	28	129	36	36	41	51	166
Non-tax revenue	11	12	13	14	50	8	11	11	18	48
Grants	31	10	5	1	47	11	19	20	24	74
Expenditure and net lending	498	551	447	432	1,927	492	536	520	459	2,006
Current expenditure	354	452	383	373	1,562	349	388	389	406	1,531
Wages	85	85	99	110	379	98	102	102	106	406
Other primary current expenditure	215	307	233	223	978	197	232	233	246	908
Goods and services	58	78	36	18	190	44	54	56	54	208
Transfers	120	201	177	186	683	127	151	150	165	594
Social transfers (Lisungi, COVID-19 and other)	44	39	32	13	127	39	42	40	40	162
Oil-related transfers	29	92	65	64	251	25	33	25	43	125
Other Transfers	47	69	80	109	305	63	77	85	82	307
Common charges	28	20	9	5	63	16	16	16	16	63
Annex budgets and special Accounts[1]	10	8	11	14	42	11	11	11	11	42
Interest	54	60	51	40	205	54	54	54	54	217
Domestic	21	35	24	15	95	34	34	34	34	135
External	33	25	28	25	110	21	21	21	21	82
Capital expenditure	144	99	64	59	365	142	148	131	53	475
Domestically financed	32	36	43	49	161	65	73	58	19	215
Externally financed	111	63	20	10	204	78	75	73	34	260
Non-oil primary balance[2]	-238	-300	-193	-182	-914	-235	-248	-219	-132	-834
Basic primary balance	204	418	254	24	900	97	183	240	395	916
Basic non-oil primary balance[3]	-158	-248	-177	-173	-756	-168	-192	-166	-121	-648
— excluding oil-related transfers[4]	-128	-156	-112	-110	-506	-143	-160	-141	-79	-523
Primary balance	124	366	238	15	742	31	127	188	384	730
Overall balance, payment order basis										
Excluding grants	39	296	182	-26	490	-35	53	113	307	439
Including grants	69	306	187	-25	537	-24	73	133	330	513
Overall balance, cash basis	69	306	187	-25	537	-24	73	133	330	513
Financing	-56	-308	-227	-104	-696	-105	-126	-178	-329	-738
Foreign (net)	-150	-358	-185	54	-639	-90	-94	-104	-153	-441
Drawings	91	52	16	-2	157	67	56	53	10	186
Amortization Net (Paid) on principal, external	-242	-291	-201	-69	-802	-157	-150	-157	-163	-627
Other foreign financing	0.0	-119.6	…	119.6	0	…	…	…	…	0
Domestic (net)	94	50	-43	-159	-57	-15	-32	-74	-176	-297
Banking	176	133	44	-64	288	5	-12	-24	-67	-98
Central Bank (net)	75	111	-52	-52	82	-39	-47	-98	-208	-392
of which: Change in government deposits (- = an increase)	37	-21	-81	-81	-146	-50	-60	-141	-251	-502
Use of SDR Allocations	62	50	6	2	120	0	0	0	0	0
Commercial banks (net)	-25	40	96	96	206	44	35	73	141	294
Nonbank financing	-82	-83	-86	-94	-346	-20	-20	-50	-110	-200
Of which: Repayment of domestic arrears	-155	-115	-91	-4	-365	-20	-20	-50	-110	-200
Financing gap (- = surplus)	-13	2	41	129	159	129	53	45	-1	226
Expected financing (excluding IMF)	0	20	0	31	51	19	38	19	38	115
IMF-ECF	54	54	0	0	108	55	28	0	28	110
Residual	-67	-72	41	98	0	54	-13	26	-67	0

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

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

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

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

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

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

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

	2022					2023				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
	Prel.	Prel.	Proj.	Proj.		Proj.	Proj.	Proj.	Proj.	
Total revenue and grants	567	1424	2058	2465	2465	468	1077	1730	2518	2518
Revenue	537	1383	2012	2418	2418	457	1046	1679	2445	2445
Oil revenue	362	1028	1459	1656	1656	266	641	1048	1564	1564
of which: repayment of oil-prepurchased debt	29	122	187	251	251	25	58	83	125	125
Non-oil revenue	175	355	553	762	762	191	405	632	881	881
Direct taxes	71	145	221	290	290	70	150	232	318	318
Taxes on goods and services	60	119	195	292	292	77	164	255	350	350
Customs Receipts	33	67	101	129	129	36	73	114	166	166
Non-tax revenue	11	23	36	50	50	8	19	30	48	48
Grants	31	41	46	47	47	11	30	50	74	74
Expenditure and net lending	498	1049	1495	1927	1927	492	1028	1547	2006	2006
Current expenditure	354	806	1189	1562	1562	349	737	1126	1531	1531
Wages	85	170	269	379	379	98	199	301	406	406
Other primary current expenditure	215	522	755	978	978	197	429	662	908	908
Goods and services	58	136	172	190	190	44	98	154	208	208
Transfers	120	320	497	683	683	127	279	429	594	594
Social transfers (Lisungi, COVID-19 and other)	44	83	115	127	127	39	81	121	162	162
Oil-related transfers	29	122	187	251	251	25	58	83	125	125
Other Transfers	47	116	196	305	305	63	140	225	307	307
Common charges	28	48	58	63	63	16	31	47	63	63
Annex budgets and special Accounts[1]	10	18	28	42	42	11	21	32	42	42
Interest	54	114	165	205	205	54	109	163	217	217
Domestic	21	56	80	95	95	34	67	101	135	135
External	33	58	85	110	110	21	41	62	82	82
Capital expenditure	144	243	307	365	365	142	291	422	475	475
Domestically financed	32	69	112	161	161	65	138	196	215	215
Externally financed	111	174	195	204	204	78	153	226	260	260
Non-oil primary balance[2]	-238	-539	-731	-914	-914	-235	-484	-703	-834	-834
Basic primary balance	204	622	876	900	900	97	280	521	916	916
Basic non-oil primary balance[3]	-158	-406	-583	-756	-756	-168	-361	-527	-648	-648
— excluding oil-related transfers[4]	-128	-284	-396	-506	-506	-143	-303	-444	-523	-523
Primary balance	124	489	727	742	742	31	157	345	730	730
Overall balance, payment order basis										
Excluding grants	39	334	516	490	490	-35	19	132	439	439
Including grants	69	376	562	537	537	-24	49	182	513	513
Overall balance, cash basis	69	376	562	537	537	-24	49	182	513	513
Financing	-56	-365	-592	-696	-696	-105	-231	-409	-738	-738
Foreign (net)	-150	-509	-693	-639	-639	-90	-184	-288	-441	-441
Drawings	91	144	160	157	157	67	123	176	186	186
Amortization Net (Paid) on principal, external	-242	-533	-733	-802	-802	-157	-307	-464	-627	-627
Other foreign financing	0	-120	-120	0	0	...	0	0	0	0
Domestic (net)	94	144	101	-57	-57	-15	-47	-121	-297	-297
Banking	176	309	353	288	288	5	-7	-31	-98	-98
Central Bank (net)	75	186	134	82	82	-39	-86	-184	-392	-392
of which: Change in government deposits (- = an increase)	37	17	-65	-146	-146	-50	-110	-251	-502	-502
Use of SDR Allocations	62	112	118	120	120	0	0	0	0	0
Commercial banks (net)	-25	15	110	206	206	44	79	153	294	294
Nonbank financing	-82	-165	-251	-346	-346	-20	-40	-90	-200	-200
Of which: Repayment of domestic arrears	-155	-270	-361	-365	-365	-20	-40	-90	-200	-200
Financing gap (- = surplus)	-13	-11	30	159	159	129	182	227	226	226
Expected financing (excluding IMF)	0	20	20	51	51	19	58	77	115	115
IMF-ECF	54	108	108	108	108	55	83	83	110	110
Residual	-67	-139	-98	0	0	54	41	67	0	0

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

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

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

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

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

Table 4. Republic of Congo: Medium-Term Balance of Payments, 2021–27[1]

(Billions of CFA francs)

	2021	2022	2022	2023	2024	2025	2026	2027
	Est.	CR 22/226						
Current account	974	1,502	1,687	692	267	216	99	31
of which non-oil	-856	-1,203	-1,101	-1,595	-1,846	-1,794	-1,970	-1,884
Trade balance	2,772	3,961	4,134	3,424	3,223	3,035	2,773	2,747
Exports, f.o.b.	4,642	6,590	6,710	6,397	6,406	6,218	6,085	6,228
Oil sector	3,704	5,475	5,580	5,268	5,243	4,931	4,756	4,785
Non-oil sector	937	1,114	1,130	1,129	1,163	1,286	1,329	1,443
Imports, f.o.b.	-1,869	-2,628	-2,576	-2,973	-3,183	-3,183	-3,311	-3,482
Oil sector	-910	-1,335	-1,350	-1,441	-1,500	-1,413	-1,329	-1,436
Government	-182	-274	-292	-380	-388	-427	-449	-464
Non-oil private sector	-778	-1,019	-933	-1,152	-1,294	-1,343	-1,533	-1,582
Balance of services	-1,104	-1,539	-1,512	-1,819	-1,972	-1,884	-1,746	-1,776
Oil sector	-477	-690	-704	-781	-824	-776	-632	-698
Nonoil sector	-627	-849	-808	-1,038	-1,148	-1,108	-1,114	-1,078
Income	-702	-930	-954	-958	-1,008	-970	-968	-984
Labor income	-7	-7	-25	-23	-23	-23	-22	-23
Investment income	-695	-924	-930	-935	-985	-947	-945	-961
Current transfers (net)	7	10	19	45	24	35	40	45
Capital account	-6	15	21	15	56	70	76	84
Official grants	0	15	15	15	56	70	76	84
Debt cancellation	0	0	6	0	0	0	0	0
Non-financial non-produced assets	-6	0	0	0	0	0	0	0
Financial account	-942	-1,256	-1,499	-560	-118	133	80	85
Direct investment (net)	120	366	307	386	435	509	512	520
Portfolio investment	172	-1	138	139	149	142	143	145
Other investment	-1,234	-1,621	-1,944	-1,084	-702	-517	-575	-580
Medium and long term	-98	-650	-599	-334	-190	-35	-22	-38
Public sector	-122	-647	-605	-390	-248	-91	-76	-98
Drawings	127	172	188	237	244	188	175	131
Project	127	143	157	186	193	188	175	131
Program	0	0	0	0	0	0	0	0
Other (collateralized)	0	29	31	51	51	0	0	0
Amortization[2]	-477	-819	-788	-627	-492	-279	-250	-229
Net change in arrears	106	0	-6	0	0	0	0	0
SDR Allocation	122	0	0	0	0	0	0	0
Private sector	24	-3	7	55	58	56	54	60
Oil	26	39	39	42	43	40	36	41
Non-oil	-2	-42	-33	14	15	16	17	19
Short term	-1,136	-971	-1,345	-750	-513	-482	-554	-541
Errors and omissions	0	0	0	0	0	0	0	0
Overall balance of payments	26	261	208	147	205	419	256	200
Financing	56	-484	-367	-373	-387	-419	-256	-209
Reserve financing (- = increase)	44	-484	-373	-373	-387	-419	-256	-200
Government deposits abroad	-79	0	0	0	0	0	0	0
Exceptional financing [3]	90	0	6	0	0	0	0	0
Financing gap (- = surplus)	25	223	159	226	182	0	0	0
Expected financing (excluding IMF)	0	65	51	115	126	0	0	0
IMF-ECF	0	158	108	110	55	0	0	0
Residual financing gap	25	0	0	0	0	0	0	0

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

[1] In line with continued improvements in compilation of statistics, supported technical assistance from the IMF and other development partners, historical GDP and BoP statistics have been revised.

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

[3] 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, 2021–27

(Billions of CFA francs, unless otherwise specified)

	2021	2022	2022				2023	2024	2025	2026	2027
			Q1	Q2	Q3	Q4					
	Est.	CR 22/226	Prel.	Prel.	Proj.	Proj.			Proj.		
Net foreign assets	360	779	235	233	379	724	966	1,407	1,866	2,136	2,377
Central bank	273	599	176	151	244	538	800	1,132	1,556	1,814	2,023
Deposit money banks	87	181	59	82	135	186	166	275	310	322	354
Net domestic assets	1,925	1,944	1,775	1,853	2,082	1,775	1,926	1,673	1,520	1,549	1,490
Net domestic credit	2,189	2,279	2,348	2,472	2,482	2,325	2,276	2,023	1,870	1,899	1,840
Net credit to the public sector	952	1,046	1,126	1,233	1,277	1,104	1,007	681	447	383	223
Net credit to the Government	959	1,053	1,148	1,242	1,286	1,111	1,014	688	453	390	230
Central bank	501	494	715	779	727	583	192	-221	-713	-1,134	-1,579
Claims	720	878	938	982	1,011	948	1,058	1,114	1,087	1,064	1,034
Use of IMF Credit	26	185	79	136	136	135	245	300	295	292	284
Deposits	-219	-386	-223	-203	-284	-365	-867	-1,335	-1,800	-2,198	-2,613
Deposit money banks	458	559	433	463	559	528	822	909	1,166	1,524	1,809
Claims on public agencies, net	-7	-7	-22	-9	-9	-7	-7	-7	-7	-7	-7
Credit to the economy[1]	1,237	1,233	1,222	1,239	1,205	1,220	1,269	1,342	1,424	1,516	1,617
Credit to the private sector	1,132	1,184	1,115	1,175	1,166	1,171	1,216	1,286	1,363	1,450	1,546
Other items, net	-264	-335	-572.9	-619.3	-400.0	-550.0	-350	-350	-350	-350	-350
Broad money	2,285	2,723	2,010	2,085	2,460	2,499	2,892	3,081	3,386	3,684	3,867
Currency outside banks	637	759	393	402	661	696	806	859	944	1,027	1,078
Demand deposits	1,107	1,327	1,080	1,131	1,142	1,214	1,411	1,506	1,659	1,808	1,899
Time deposits	504	601	509	527	622	551	638	680	747	813	853
(Changes in percent of beginning-of-period broad money)											
Broad money	5.9	19.2	-12.0	-8.7	7.7	9.3	15.7	6.5	9.9	8.8	4.9
Net foreign assets	-9.2	18.3	-5.5	-5.6	0.8	15.9	9.7	15.3	14.9	8.0	6.5
Net domestic assets	15.1	0.8	-6.6	-3.2	6.9	-6.6	6.0	-8.7	-5.0	0.8	-1.6
Net domestic credit	9.1	4.0	7.0	12.4	12.8	5.9	-2.0	-8.7	-5.0	0.8	-1.6
Net credit to the public sector	3.8	4.1	7.6	12.3	14.2	6.7	-3.9	-11.3	-7.6	-1.9	-4.3
Credit to the economy	5.2	-0.2	-0.7	0.1	-1.4	-0.7	1.9	2.5	2.6	2.7	2.7
Credit to the private sector	4.6	2.3	-0.8	1.9	1.5	1.7	1.8	2.4	2.5	2.6	2.6
Other items, net	6.0	-3.1	-13.5	-15.6	-6.0	-12.5	8.0	--	--	--	--
(Annual percent changes, unless otherwise indicated)											
Broad money	5.9	19.2	-6.8	-5.2	11.6	9.3	15.7	6.5	9.9	8.8	4.9
Reserve money	-0.6	33.7	-4.7	-5.5	23.1	12.6	22.3	1.4	12.6	17.5	4.9
Credit to the economy	10.0	-0.3	7.7	12.5	0.7	-1.3	4.0	5.8	6.1	6.4	6.7
Credit to the private sector	9.6	4.6	5.3	13.0	4.7	3.5	3.8	5.7	6.0	6.4	6.6
Velocity (Non-oil GDP/average M2)	2.5	1.8	...	...	...	2.3	2.2	2.2	2.1	2.1	2.2
(Percent[2])											
Total nominal GDP growth	11.4	24.5	...	...	...	16.4	4.1	5.5	4.9	5.8	6.2
Non-oil nominal GDP growth	5.5	7.0	...	...	...	7.0	7.4	7.4	7.8	8.1	8.1
Credit to the economy/Non-oil GDP	22.7	21.1	...	...	...	20.9	20.2	20.0	19.6	19.3	19.1
Memorandum Items:											
Gross imputed official reserves (CFA billion)	551	1035	464	498	591	924	1296	1683	2102	2358	2558
In months of imports	1.5	2.6	...	...	...	2.2	2.8	3.7	4.7	5.0	5.5
Central bank liablities to non-residents	277.5	436.0	287.7	346.9	346.9	385.7	496.0	551.3	545.8	543.6	534.8

Sources: BEAC; and IMF staff estimates and projections.

[1] Private sector and public enterprises.

[2] In line with continued improvements in compilation of statistics, supported technical assistance from the IMF and other development partners, historical GDP and BoP statistics have been revised.

Table 6. Republic of Congo: Financial Soundness Indicators for the Banking Sector, 2015–22

(Percent, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021	Apr-22
Core FSIs								
Capital Adequacy[1, 2]								
Regulatory capital to risk-weighted assets	19.5	19.1	22.8	24.9	29.6	18.8	21.8	23.7
Nonperforming loans net of provisions to capital	15.4	28.3	53.1	71.8	74.7	61.1	30.2	
Asset Quality								
Nonperforming loans to total gross loans	5.0	8.0	16.2	22.5	27.5	21.0	16.9	17.8
Provisions to nonperforming loans	51.9	38.6	35.8	36.7	35.9	53.0	64.2	64.2
Earnings and Profitability								
Return on assets	2.1	1.6	1.5	1.2	0.6	1.1	2.2	
Return on equity	16.2	8.0	7.2	4.6	1.2	6.3	11.9	
Liquidity								
Liquid assets to total assets	21.1	16.7	22.7	26.8	23.8	26.9	27.2	29.9
Liquid assets to short-term liabilities	116.1	104.4	146.6	176.0	152.0	174.4	175.9	190.8
Sensitivity to Market Risk								
Net open position in foreign exchange to capital	-985.9	-845.8	-720.5	-729.3	-937.5	-1980.9	-875.3	
Additional FSIs								
Large exposures to capital	187.2	154.2	157.5	157.2	133.6	126.0	104.7	
Trading income to total income	11.1	6.8	40.1	47.3	38.6	163.6	-7.1	
Personnel expenses to noninterest expenses	22.1	24.2	13.8	10.5	11.1	25.1	23.4	
Customer deposits to total (noninterbank) loans	125.5	102.8	93.6	91.5	104.3	112.1	111.2	
FX loans to total loans	2.4	2.2	5.0	3.0	0.7	0.1	0.1	
Residential real estate loans to total gross loans	1.7	1.5	0.7	0.6	0.7	1.5	2.4	
Commercial real estate loans to total gross loans	0.1	0.0	0.3	0.4	0.3	0.9	0.3	

Sources: IMF Financial Soundness Indicators.

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

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

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

(Billions of CFA francs)

	2022 Proj	2023 Proj	2024 Proj	2025 Proj	2026 Proj	2027 Proj
A. Overall fiscal balance (cash basis) [-=surplus]	-537	-513	-541	-402	-376	-465
B. Financing needs	1764	1753	1751	1765	1853	1908
Amortization (including arrears)	1613	1246	1279	1273	1429	1466
External	802	627	492	279	250	229
Amortization due	788	627	492	279	250	229
ow DSSI amortization	-61	-77	-77	-21	-21	0
Domestic	811	620	787	994	1179	1237
Amortization due (T-bills redemption)	446	420	579	839	1042	1137
Repayment of domestic arrears	365	200	208	155	136	100
BEAC	146	502	468	486	419	436
Repayment of statutory advances	0	0	0	21	21	21
Change in government deposits (+ = an increase)	146	502	468	465	398	415
Commercial Banks	5	5	5	5	5	5
Change in government deposits (+ = an increase)	5	5	5	5	5	5
Other external financing	0	0	0	0	0	0
Errors and Omissions	0	0	0	0	0	1
C=A+B Total financing needs	1227	1241	1211	1363	1477	1443
D. Identified sources of financing	1062	1015	1029	1363	1477	1443
External	157	186	193	188	175	131
Project financing	157	186	193	188	175	131
Loans	157	186	193	188	175	131
Domestic	904	829	836	1175	1302	1312
SDR allocation channeled through BEAC	120					
T-bill issuance	646	824	836	1175	1302	1312
Recovery of domestic tax arrears	2	5	0	0	0	0
Non resident commercial banks	136					
E=C-D Financing gap (-=overfinancing)	165	226	182	0	0	0
F. Exceptional external financing	51	115	126	0	0	0
Multilateral	31	102	115	0	0	0
Bilateral	20	13	11	-	-	-
G=E-F Residual financing needs	114	110	55	0	0	0
IMF-ECF	108	110	55	0	0	0

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

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

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

	Debt Stock (end of period)			Debt Service						
	2021			2021	2022	2023		2021	2022	2023
	(In Million US$)	*(Percent total debt)*	*(Percent GDP)* [8]	*(In Million US$)*				*(Percent GDP)*		
Total	12,504	100	107.9	2,312	2,886	2,286		19.1	22.9	18.0
External	7,127	57	61.5	985	1,427	1,107		8.1	11.3	8.7
Multilateral creditors[2,3]	948	7.6	8.2	34	55	64		0.3	0.4	0.5
IMF	41	0.3	0.4	…	…	…	…	…	…	…
World Bank	390	3.1	3.4	…	…	…	…	…	…	…
ADB/AfDB/IADB	415	3.3	3.6	…	…	…	…	…	…	…
Other Multilaterals	102	0.8	0.9	…	…	…	…	…	…	…
o/w: BDEAC	55	0.4	0.5	…	…	…	…	…	…	…
IFAD	24	0.2	0.2	…	…	…	…	…	…	…
Bilateral Creditors	3,106	24.8	26.8	364	321	356		3.0	2.5	2.8
Paris Club	470	3.8	4.1	24	66	76		0.2	0.5	0.6
o/w: France	183	1.5	1.6	…	…	…	…	…	…	…
Belgium	153	1.2	1.3	…	…	…	…	…	…	…
Non-Paris Club	2,636	21.1	22.8	341	255	279		2.8	2.0	2.2
o/w: China	2,166	17.3	18.7	…	…	…	…	…	…	…
India	117	0.9	1.0	…	…	…	…	…	…	…
Commercial creditors[2]	3,073	24.6	26.5	586	1,051	687		4.8	8.3	5.4
o/w: Bonds	241	1.9	2.1	43	41	40		0.4	0.3	0.3
Other international creditors	2,832	22.6	23.3	543	1,010	648		4.5	8.0	5.1
o/w: Largest two creditors	1,556	12.4	12.8	…	…	…	…	…	…	…
Others	1,276	10.2	10.5	…	…	…	…	…	…	…
Domestic[6]	5377	43.0	46.4	1327	1459	1179		10.9	11.6	9.3
T-Bills[7]	…	…	…	…	…	…	…	…	…	…
Bonds[7]	2643	21.1	22.8	739	844	829		6.1	6.7	6.5
Loans	986	7.9	8.5	22	26	26		0.2	0.2	0.2
Memo items:										
Collateralized debt[4]										
o/w: Related	1,567	…	13.5	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…
Contingent liabilities										
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities[5]	277	…	2.4							
Nominal GDP	12,131	…	…	…	…	…	…	…	…	…

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

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

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

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

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

[6] Domestic debt service includes arrears repayment.

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

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

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

	February 2022 stock			August 2022 stock			August 2022 (Excl. unrestructured pre-HIPC arrears)[1]		
	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total	**379**	**648**	**4.8**	**337**	**514**	**4.3**	**43**	**65**	**0.5**
Multilateral and other creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	88.9	151.8	1.1	92.2	140.6	1.2	15.0	22.8	0.2
Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Paris Club	88.9	151.8	1.1	92.2	140.6	1.2	15.0	22.8	0.2
United Arab Emirates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Angola	66.4	113.4	0.8	74.1	113.0	0.9	0.0	0.0	0.0
China	1.2	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India Exim Bank	18.2	31.0	0.2	15.0	22.8	0.2	15.0	22.8	0.2
Kuwait	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Arabia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postal debt	3.1	5.4	0.0	3.1	4.8	0.0	0.0	0.0	0.0
Private Creditors	290	495.8	3.7	245	373.2	3.1	28.0	42.6	0.4
CMEC and Chinese companies	62	106.2	0.8	17	25.2	0.2	16.5	25.2	0.2
Eurobond	0	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0
Afreximbank	0	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0
Oil traders	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Suppliers[1]	228	390	2.9	228	348	2.9	11.4	17.4	0.1

Source: Congolese authorities and IMF staff estimates.

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

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

(Millions of SDRs, unless otherwise stated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
IMF obligations based on existing credit																
Principal	0.0	0.0	0.0	6.5	6.5	19.4	32.4	32.4	25.9	25.9	13.0	0.0	0.0	0.0	0.0	0.0
Charges and interest	0.0	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
IMF obligations based on prospective credit																
Principal	0.0	0.0	0.0	0.0	0.0	0.0	9.7	29.2	38.9	38.9	38.9	29.2	9.7	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit																
SDR millions	0.0	6.3	6.3	12.8	12.8	25.8	48.4	67.9	71.1	71.1	58.2	35.5	16.0	6.3	6.3	6.3
CFAF billions	0.0	5.4	5.4	10.9	10.9	22.0	41.3	57.9	60.6	60.6	49.6	30.2	13.7	5.4	5.4	5.4
Percent of exports of goods and services	0.0	0.1	0.1	0.2	0.2	0.3	0.6	0.8	0.8	0.8	0.6	0.4	0.2	0.1	0.1	0.1
Percent of debt service[1]	0.0	0.8	1.0	3.2	3.6	7.8	16.1	22.8	23.2	23.0	20.0	13.1	6.3	2.5	2.4	2.4
Percent of GDP	0.0	0.1	0.1	0.1	0.1	0.2	0.38	0.50	0.49	0.5	0.3	0.2	0.1	0.0	0.0	0.0
Percent of tax revenue	0.0	0.2	0.2	0.4	0.4	0.8	1.4	1.9	1.9	1.7	1.3	0.8	0.3	0.1	0.1	0.1
Percent of quota	0.0	3.9	3.9	7.9	7.9	15.9	29.9	41.9	43.9	43.9	35.9	21.9	8.4	3.3	3.3	3.3
Outstanding IMF credit based on existing and prospective drawings																
SDR millions	162.0	291.6	356.4	349.9	343.4	324.0	281.9	220.3	155.5	90.7	38.9	9.7	0.0	0.0	0.0	0.0
CFAF billions	135.3	248.2	304.2	298.6	293.0	276.1	240.2	187.8	132.5	77.3	33.1	8.3	0.0	0.0	0.0	0.0
Percent of exports of goods and services	1.9	3.7	4.5	4.6	4.6	4.2	3.6	2.7	1.8	1.0	0.4	0.1	0.0	0.0	0.0	0.0
Percent of debt service[1]	14.8	35.0	54.4	88.7	96.4	98.6	93.4	73.9	50.7	29.4	13.4	3.6	0.0	0.0	0.0	0.0
Percent of GDP	1.7	3.0	3.5	3.3	3.1	2.7	2.2	1.6	1.1	0.6	0.2	0.1	0.0	0.0	0.0	0.0
Percent of tax revenue	5.7	10.4	12.2	12.0	11.4	10.1	8.3	6.1	4.1	2.2	0.9	0.2	0.0	0.0	0.0	0.0
Percent of quota	100.0	180.0	220.0	216.0	212.0	200.0	174.0	136.0	96.0	56.0	24.0	6.0	0.0	0.0	0.0	0.0
Memorandum items:																
Exports of goods and services (CFAF billions)	7,064	6,737	6,749	6,559	6,423	6,579	6,766	6,977	7,218	7,487	7,775	8,059	8,184	8,188	8,093	7,934
External Debt service (CFAF billions)[1]	913	709	559	337	304	280	257	254	261	263	248	232	217	214	221	227
Nominal GDP (CFAF billions)	7,825	8,144	8,588	9,011	9,537	10,126	10,830	11,596	12,432	13,350	14,342	15,412	16,513	17,667	18,869	20,150
Tax revenue (CFAF billions)	2,368	2,397	2,492	2,493	2,567	2,731	2,892	3,066	3,255	3,464	3,694	3,941	4,177	4,420	4,662	4,886
Quota (SDR millions)	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0

Sources: IMF staff estimates and projections.

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

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

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

Source: IMF Staff estimates.

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

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

	Type of	End-Feb 2022			End-Jun 2022				End-Sept 2022		End-Dec 2022		End-Mar 2023		End-June 2023	End-Sept 2023	End-Dec 2023
	criteria	PC Program	Actual	Status	PC Program	PC Modified Program	Actual	Status	IT Program	IT modified Program	PC Program	PC modified Program	IT Program	IT modified Program	PC Program	IT Program	PC Program
Floor on basic non-oil primary budget balance[2]	PC	-128	-62	Met	-309	-321	-284	Not Met	-459	-396	-510	-506	-131	-143	-303	-444	-523
Adjusted target (floor)		-126				-233											
Upward (Downward) adjustment for higher (lower) than expected oil-related transfers		0				57											
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower oil revenue		1				31											
Ceiling on net domestic financing of the central government	PC	168	106	Met	289	217	144	Not Met	331	101	-262	-57	209	-15	-47	-121	-297
Adjusted target (ceiling)		169				22											
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue		1				-195											
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3]	PC	0	0	Met	0	0	0	Met	0	0	0	0	0	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,4,5,7]	PC	0	0	Met	0	0	1132	Not Met	0	0	0	0	0	0	0	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,6]	PC	0	0	Met	0	0	0	Met	0	0	0	0	0	0	0	0	0
Floor on non-oil revenues	IT	96	113	Met	289	298	355	Met	495	553	758	762	182	191	405	632	881
Floor for social and poverty-reducing spending	IT	61	38	Not Met	152	152	184	Met	228	228	379	379	96	80	181	322	402
Ceiling on disbursements of external loans for investment projects	IT	17	16	Met	56	56	133	Not Met	111	149	143	157	25	67	123	176	186
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion)[4,7]	IT	15	0	Met	37	36	0	Met	52	0	69	33	43	46	86	100	140
Floor on repayment of domestic arrears accumulated by the central government	IT	16	20	Met	30	60	270	Met	161	361	402	365	21	20	40	90	200
Memo items:																	
Oil revenue[8]		161	222		439	680	907		1082	1272	1546	1405	236	241	584	965	1439
Expected external assistance, net[9]		-118	-182		-299	-409	-471		-614	-557	-870	-845	-67	-133	-239	-364	-555
- BoP assistance (IMF-ECF)		51	54		102	106	108		106	108	158	108	0	55	83	83	110
- Budgetary loans and grants (excl. IMF)		9	0		19	19	61		29	66	103	98	92	30	88	127	189
- Change in non-program external arrears		0	-15		0	0	0		0	0	0	0	0	0	0	0	0
Payments for current external debt service due after debt relief		127	167		318	428	532		643	622	974	943	160	164	328	491	744

[1] Quantitative Performance Criteria and Indicative Targets are defined in the TMU. "Program" columns represent the PCs and ITs set at the time of the first review of the ECF arrangement; and "Modified Program" represent the modifications to these PCs and ITs proposed during the current second review of the ECF arrangement.
[2] Defined as non-oil domestic revenue minus total expenditures excluding interest payments, transfers paid with crude oil, and foreign-financed investment.
[3] These ceilings are set to zero and to be respected continuously from the date of program approval.
[4] Excluding all sources of budgetary support identified in the program.
[5] Excluding all types of financing mentioned in paragragh 10 of the TMU.
[6] Subject to the exception allowed in paragraph 11 of the TMU.
[7] Cumulative from the date of program approval and is on a contractual basis in accordance with the IMF's debt limits policy:
https://www.imf.org/-/media/Files/Publications/PP/2021/English/PPEA2021037.ashx.
[8] Excluding oil barter transactions for the payment of transfers.
[9] As defined in paragraphs 18 and 22 of the TMU.

Table 13a. Republic of Congo: Structural Benchmarks 2022

Measures	Target date	Status	Comment	Macroeconomic Rationale
Publish on the government website the audit (by a reputable international audit firm) of COVID-19-related spending during 2020.	End-June 2022	Met		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	Met		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	Met		Improve public investment management, budget credibility and transparency, and cash management.
Prepare a comprehensive medium-term debt management strategy.	End-July 2022	Met		Manage debt-related risks and support fiscal sustainability.
Publication of a decree clarifying conflict of interest rules and procedures.	End-July 2022	Not Met	The decree was published on August 3, 2022. Shortfalls in declaration requirements need to be addressed before this structural benchmark can be considered complete.	Reduce corruption, improve governance, and protect public resources.

Table 13b. Republic of Congo: Structural Benchmarks, 2022–23		
Measures	**Target date**	**Macroeconomic Rationale**
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.
Update EDP pricing formula to account for improvements in CORAF's operating efficiency over the past three years.	End-December 2022	Improve transparency and governance and protect public resources.
Operationalize the procurement planning template for pilot ministries by mapping the commitment, procurement, and cash plans of the 2023 budget to it.	End-December 2022	Improve management of public spending (including public investment), budget credibility and transparency, and cash management.
Establish a public register or cadaster system in the mining and forestry sectors.	End-March 2023	Reduce corruption, improve governance, and protect public resources.
Publication on the government website of the 2021 annual debt report, which includes elaboration on guaranteed and unguaranteed debt of the 10 largest SOEs.	End-March 2023	Improve transparency and manage debt-related risks.
A comprehensive stock-taking of hydrocarbon-related VAT administration (including exemptions).	End-June 2023	Improve tax administration and support domestic revenue mobilization efforts.
Revision and simplification of hydrocarbon-related VAT tax laws (into a single legislation).	End-December 2023	Improve tax administration and support domestic revenue mobilization efforts.
Fully operationalize the modules for cash management, fiscal reporting, treasury, and procurement of the new Expenditure Tracking Software (SIGFIP).	End-December 2023	Improve transparency and governance and protect public resources.

Table 14. Republic of Congo: Prior Actions

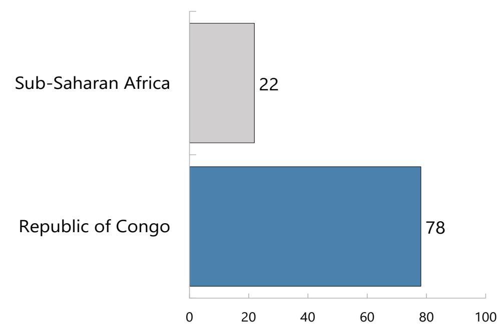
Measures	Status	Macroeconomic Rationale
SNPC to declare and pay at least CFAF 12 billion of dividends to the 2022 budget.		Improve transparency and governance and protect public resources.
Increase regulated fuel prices by 5 and 7 percent, respectively, for retail and entry distribution prices (EDP).		Improve transparency and governance and protect public resources.
Parliament to pass a budget that includes (i) full phase-out of the new fuel subsidy during 2023-24 (ii) elimination of VAT and customs duty exemptions received by SNPC (iii) VAT charged by CORAF on its sales and (iv) gradual fuel price deregulation accompanied by stepped up social assistance to protect the vulnerable, which can be financed by (ii) and (iii).		Improve revenue mobilization and management of public spending and protect public resources.
Adopt and publish a ministerial order that accompanies the decree on conflict of interest rules and procedures, where the ministerial order establishes a formal model for disclosure detailing the type of private interests to be listed, such as beneficial ownership of assets and information on family members, as well as mandatory disclosure of interests: (i) upon entering on duty; (ii) once every year regardless of substantial modification, and (iii) in case of substantial modification.		Reduce corruption, improve governance, and protect public resources.

Annex I. Food Insecurity

1. **Food insecurity is prevalent and rising across the Republic of Congo.** Already 80 percent of the population was moderately or severely food insecure during 2014–16 (FAOSTAT). This rose to 90 percent during 2019–21 and preliminary data suggest the numbers continue to rise in 2022, reflecting high food import costs and supply shortages brought on by the ripple effects of Russia's war in Ukraine and the pandemic.

Net Cereal Imports

(Percent of Total Cereal Supply, 2020)



Sources: FAOSTAT; and IMF staff calculations.
Note: The latest available data was applied when 2020 data was not available.

2. **Limited agricultural production and the resulting reliance on food imports, along with low income levels, underlie Congo's high food insecurity.** Local food production falls far short of the country's needs. Agriculture is largely limited to subsistence crops, leaving more than 90 percent of arable land uncultivated. Inadequate access to financing, low mechanization, and weak infrastructure are the main bottlenecks to agricultural development and to building the sector's resilience to climate change (see CR 21/226 for details). Consequently, about 70 percent of food is imported. In 2020, some of the most imported products were wheat, rice, and meat—together one fifth of goods imports and coming mainly from Russia, India, and the United States.

3. **In 2022, global developments drove up Congo's food inflation**, which was 6 percent in October 2022. Wheat shortages, coupled with high energy and fertilizer prices and the CFA franc depreciation against the U.S. dollar, inflated the food and agricultural input import bill and transport costs from source countries to Congo, especially for staples.

4. **Against this backdrop, the Government adopted a national resilience plan in 2022.** The plan helped contain food inflation and erosion of food distributors' margins, through continued regulation of staples food prices (25 percent of the CPI basket) and exemptions on related customs and VAT items. Targeted social assistance was provided to support the most vulnerable. The plan also aims to raise agricultural production (and reduce food imports) in the near and medium term, in line with the National Development Plan 2022-26, through technology and equipment support for small-scale domestic agriculture and building infrastructure to facilitate food distribution.

Annex II. Drivers of Congo's Fragility

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

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

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

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

5. **An oil-dependent economic structure leaves the economy vulnerable to fluctuations in both global oil prices and domestic oil production.** The oil sector accounts for 80 percent of exports and almost two thirds of fiscal revenues. Over the next decade, oil production is set to

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

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

decline due to maturing oil fields. Large-scale investment in new oil fields appears unlikely given expectations of reduced global oil demand following the global transition to low-carbon economies.

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

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

Annex III. Fuel Market

1. In Congo, fuel is either imported by the SNPC (the national oil company) and private fuel marketers or produced domestically by CORAF (a refinery and SNPC subsidiary) which purchases Congolese crude oil at international market prices.[1] The fuel is then sold on the wholesale market—at a price called the "entry distribution price" (EDP)—to private fuel marketing and logistics companies, which operate the downstream supply chain from distribution to retail. Currently, the SNPC is the sole fuel importer, accounting for 40 percent of the fuel supply, and CORAF supplies the rest. From 2023, a Chinese oil refinery, with 2.5 times the capacity of CORAF, will begin operating in Congo.

2. Wholesale (EDP) and retail prices are regulated and are currently substantially below import prices. Retail prices (VAT included) have been unchanged since 2008 but average import prices during 2008–20 allowed fuel importers and distributors to breakeven.[2,3] In a country with high income inequality, such as Congo, these regulated prices mainly benefit the wealthy as poorer households don't drive cars, relying on public transport. Regulated fuel prices have averaged slightly below fuel import or CORAF production costs. As a result, CORAF received a subsidy from the budget and has undertaken a performance improvement plan. Past compensation to SNPC for its fuel imports has not been transparent—payment may have been made from crude oil sales by SNPC on behalf of the government. When oil import prices exceed the EDP, private oil marketers do not import.

3. Within the fuel sector, several major taxpayers benefit from exemptions on VAT (on domestic and imported goods and services) and customs duties. For example, in 2022, SNPC did not pay customs duties or VAT on imports; and CORAF did not apply VAT on its sales.

[1] Source: Congolese authorities.

[2] When unregulated, the EDP is calculated as a weighted average between the actual import prices (for imported fuel) and the import price grossed up through an adjustment factor (for fuel produced by CORAF, where the adjustment factor reflects cost inefficiencies of CORAF's production).

[3] When unregulated, the retail price is the EDP plus distribution and retail costs, markups, and VAT (from the wholesale to retail stages of the supply chain).

Annex IV. Risk Assessment Matrix[1]

Risks	Likelihood	Impact if Realized	Policy Response
		Global risks	
Commodity price shocks. A combination of continuing supply disruptions (e.g., due to conflicts and export restrictions) and negative demand shocks causes recurrent commodity price volatility and social and economic instability.	**High**	**High** Given Congo's dependency on oil revenue and export proceeds, higher than expected commodity prices are an upside risk that could support the fiscal strategy and the external sector, and efforts to diversify the economy. Oil supply disruptions in Congo are a downside risk to watch though as they would negatively affect macroeconomic outcomes. Conversely, lower oil prices and oil revenues would increase fiscal and external vulnerabilities and spillover to non-oil economic activity. Continued food price increases could raise inflation and food insecurity.	Take the opportunity of higher oil prices: (i) to spare financial resources and implement structural measures to diversify the economy, enhance competitiveness, and deepen regional economic integration; and (ii) implement the reform agenda to reduce vulnerabilities in Congo and increase the capacity of the economy to attract investment. Accelerate mobilization of non-oil revenues and further streamline non-priority spending. Bolster social assistance programs to help the most vulnerable cope with food inflation.

[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
Intensifying spillovers from Russia's war in Ukraine. Further sanctions resulting from the war and related uncertainties exacerbate trade and financial disruptions and commodity price volatility, with Europe, LICs, and commodity-importing EMs among the worst hit.	High	High Negative spillovers could be manifold, affecting inflation, investment, trade and economic growth and overall, they may exacerbate debt sustainability pressures.	Continue fiscal and structural reforms to reduce external imbalances and build buffers, enhance competitiveness and deepen regional economic integration.
Deepening geo-economic fragmentation and geopolitical tensions. Broadening of conflicts and reduced international cooperation accelerate deglobalization, resulting in a reconfiguration of trade, supply disruptions, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial system, and lower potential growth.	High	Medium Limited movement of food and basic goods across countries may cause shortages and price increases in Congo. Reduced financing inflows may delay investment projects.	Step up efforts to improve the quality of public spending and priorities, as well as improve investment planning and resource management. Stocks/inventories management and improve distribution mechanism.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth slowdown, with outright recessions in some countries, spillovers through trade and financial channels, and downward pressures on some commodity prices.	Medium	High With limited fiscal space, weaker global growth and a sharp tightening of global financing conditions could jeopardize economic recovery, exacerbate debt sustainability pressures and lead to a deterioration of the external position Investment, including that supporting economic diversification, could slow	Continue fiscal and structural reforms to: (i) reduce external imbalances and vulnerabilities; (ii) enhance competitiveness and deepen regional economic integration; and (iii) improve investor confidence and increase the capacity of the economy to attract investment.

Risks	Likelihood	Impact if Realized	Policy Response
For EMDEs, sharp tightening of global financial conditions combined with volatile commodity prices leads to spiking risk premia, widening of external imbalances and fiscal pressures, capital outflows, sudden stops, and debt and financial crises across EMDEs.		with higher-than-projected interest rate hikes.	
De-anchoring of inflation expectations and stagflation. Supply shocks to food and energy prices sharply increase headline inflation and pass through to core inflation, de-anchoring inflation expectations. Central banks tighten monetary policy more than envisaged leading to weaker global demand and currency depreciations in EMDEs.	**Medium**	**High** Should BEAC further tighten monetary policy, especially through higher interest rates, private investment in the Republic of Congo could slow and the government's interest bill could rise, crowding out other spending. Currency depreciation could have a similar effect, raising the government and private sector's cost of servicing its external debt as well as inflating balance sheet liabilities. The impact of weaker global demand is discussed above.	Continue to advance fiscal and structural reforms that will lower sovereign risk premium and improve the business environment.
Natural disasters related to climate change. More frequent natural disasters deal severe damage to infrastructure (especially in smaller vulnerable economies) and amplify supply chain disruptions and inflationary pressures, causing water and food shortages and reducing medium-term growth.	**Medium**	**Medium/ High** Lower domestic production in the agricultural sector, and negative implications for food security and incomes.	Strengthen food security and rural development programs. Promote investment in climate resilient infrastructure and address infrastructure gaps and income disparities among regions, while establishing appropriate social safety nets.

Risks	Likelihood	Impact if Realized	Policy Response
Local Covid-19 outbreaks. Outbreaks in slow-to-vaccinate countries or emergence of more contagious vaccine-resistant variants force new lockdowns or inhibit commerce.	Medium	High New and prolonged outbreaks 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.
Country-specific risks			
Weak fiscal management. Fiscal policy without effective control of non-priority spending and lack of revenue mobilization and other fiscal reforms. Fiscal shocks from SOEs.	High	Medium/ High Insufficient prioritization of government spending, inconsistent arrears repayment, and an increase in public debt resulting in risks to macroeconomic stability and risks of higher social and political instability and crowding out private credit. Pressure on foreign reserves	Improve coordination between government ministries to ensure that spending is properly prioritized. Implement TA recommendations on PFM, strengthening cash management and budget execution. Identify additional fiscal measures to create fiscal space for crisis support. Implement SOE and governance reforms.
Widespread social discontent and political instability. Social tensions erupt as high inflation, the pandemic, and inadequate policy responses cause economic hardship (including unemployment, higher incidence of poverty, and food shortages and higher	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.

Risks	Likelihood	Impact if Realized	Policy Response
prices of essentials) and exacerbate preexisting socioeconomic inequities. Growing political polarization and instability weaken policymaking and confidence.			Enrich policy dialogue with CSOs and other stakeholders.
Delayed financing disbursements. Delays in external financing, especially project support, could limit the authorities' ability to implement development plans and pursue broader reforms.	**Medium**	**Medium** Increased debt vulnerabilities, higher social tensions, increased risk premiums and thus the economy may remain in a low growth trap with weak investment.	Create fiscal space through domestic revenue mobilization, prioritization, and efficiency on spending. Improve governance, transparency and accountability and reduce corruption.

Appendix I. Letter of Intent

December 14, 2022

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

Madam Managing Director:

1. The Government of the Republic of Congo continues to implement its economic and financial program supported by a three-year arrangement under the International Monetary Fund's Extended Credit Facility (ECF) in order to support efforts to enable our country to meet its balance of payments needs, help rebuild the regional foreign exchange reserves, and restore conditions for more vigorous economic growth. Our economic and financial program continues to be implemented under the National Development Plan (NDP) 2022–26 as well as the regional economic and financial reform program (PREF-CEMAC) as our country continues to face significant economic and health challenges. The NDP was shared with the IMF Executive Board in mid-December 2022.

2. As we continue to be affected by the global pandemic and high debt levels, our fiscal position has deteriorated, in part due to accelerating energy and food prices in a challenging global environment. Nevertheless, the nascent economic recovery appears to be reinforced by the lifting of all pandemic restrictions, repayment of domestic arrears, increased social assistance spending for the most vulnerable, and continued vaccination of the population. The oil sector is also growing owing to the recent increase in oil prices resulting from Russia's invasion of Ukraine and improved oil production since last year. However, this recovery remains fragile, with large uncertainties weighing on these prospects and growing poverty that has been exacerbated by the pandemic and the rise in import prices, particularly those of cereals and other food items.

3. Against this backdrop, our country's performance under the three-year ECF arrangement has been mixed. Three of the five quantitative performance criteria were not met. Those on the basic non-oil primary balance and on net domestic financing of the central government were missed mainly due to increased oil-related transfers that were not offset with increased dividends transferred to the budget by the Société Nationale des Pétroles du Congo (SNPC) as agreed at the time of the first review of the ECF arrangement. Moreover, the introduction of a new subsidy in the July 2022 revised budget that was provided to SNPC for the purchase of fuel imports, again without offsetting measures such as increased dividends from SNPC, made it impossible to respect the end-2022 fiscal targets agreed under the arrangement. Strong

corrective measures are being taken. Backlogged SNPC dividends (0.2 percent of non-oil GDP) have been transferred to the budget as a prior action; and, also as a prior action, the 2023 budget passed by Parliament will compensate for the 2022 budgetary easing, including through elimination of VAT and customs duty exemptions received by SNPC, requiring CORAF to charge VAT on its sales, and gradual phasing out of fuel subsidies consistent with the gradual deregulation of fuel prices during 202–24 accompanied by stepped up social assistance. The continuous performance criterion of the ceiling on new nonconcessional external debt contracted or guaranteed by the government was missed due to (i) the regularization of arrears with two Chinese commercial companies which involved converting the original CFA franc debt into U.S. dollars that has since been unwound—corrected by reconverting the debt back into CFA francs ; and (ii) a World Bank project loan with concessionality below 35 percent but the impact on debt sustainability is negligible. We have met all indicative targets for end-June 2022 except the ceiling on disbursements of external loans for investment projects.

4. We have nevertheless made progress in structural reforms: all those targeted for the end of June and July 2022 have been completed on time, except for the publication of the decree on conflict-of-interest rules and procedures. The decree lacked declaration requirements detailing the type of private interests to be listed, such as beneficial ownership of assets and information on family members, as well as mandatory declaration of interests. A ministerial order accompanying the decree will clarify rules and procedures.

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

6. We are committed to closely coordinating our economic policies with those of the other CEMAC countries in the context of the regional economic and financial reform program (PREF-CEMAC). These reforms aim to create job opportunities and improve the living standards of a fast-growing population, including through (i) deep structural reforms to radically transform and diversify the economy of the region, (ii) continued support for the regional institutions and reduced dependence of the CEMAC countries on commodities, (iii) improved transparency in public finances and in the oil and gas sectors, (iv) strengthened domestic revenue mobilization, (v) strengthened governance and (vi) reforms that promote development of the private sector.

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

8. We believe that the economic and financial policies set out in the attached MEFP will continue to enable us to achieve the objectives we have set under the program and to promote the

mobilization of financing from development partners. However, we stand ready to take any further measures that may prove necessary to achieve these objectives. The government will consult with the IMF when adopting such measures and before revising any policies contained in the MEFP, in accordance with the policies on such consultations.

9. Bearing in mind the program achievements to date and the commitments set out in the MEFP as well as the agreed prior actions, we are requesting (i) waivers of non-observance for the quantitative performance criteria on the basic non-oil primary fiscal balance and net domestic financing of the central government and on the continuous performance criterion of the ceiling on new nonconcessional external debt contracted or guaranteed by the government (ii) the modification of the quantitative criteria on the basic non-oil primary fiscal balance and net domestic central government financing for end-December 2022; and (iii) completion of the financing assurances review and the second review and a disbursement equivalent to SDR 64.8 million (or 40 percent of our quota). This disbursement will enable us to continue to respond to our immediate and protracted balance of payments needs and support our reform agenda. This will also support our efforts to achieve more resilient and sustainable economic growth and sustainably reduce poverty, while strengthening governance, transparency and anti-corruption measures.

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

/s/

Jean-Baptiste Ondaye
Minister of Finance and Economy
Brazzaville, Republic of Congo

Attachments:
- Memorandum of Economic and Financial Policies (MEFP)
- Technical Memorandum of Understanding (TMU)

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

This memorandum describes recent economic developments, the outlook for 2022–23 and the medium term, and program objectives and the policies and measures to achieve them.

I. BACKGROUND, RECENT ECONOMIC DEVELOPMENTS, AND OUTLOOK

1. Economic recovery is underway despite a challenging external economic environment.

- Economic growth is projected at 2.8 percent in 2022. This is supported by a resumption in investment by the largest oil producers resulting in a revival of oil production growth (expected at 0.5 percent) and solid performance of the non-oil sector (projected to grow 3.3 percent). Non-oil economic activity is gaining momentum, supported by solid activity in agriculture (in part owing to the government's investment in protected agricultural zones), mining (investments potash and iron ore), manufacturing and services, low COVID-19 cases, domestic arrears payments, and government spending on infrastructure and social assistance.

- Inflation is picking up driven by higher food prices. However, it is anticipated to be contained to 3.5 percent in 2022 owing to continued price regulation of critical food items and some reduction in the transport costs for all food.

- The current account is in a large surplus (projected at 21.6 percent of GDP) due to high oil prices, notwithstanding a large import bill for all imports (including food). A substantial amount of these oil revenues are financing large debt service due this year. This includes debt service to regional commercial banks, G20 DSSI creditors (which began in June), bilateral creditors, and the two largest external commercial creditors.

- The banking system remains stable. Non-performing loans (NPLs) have not grown over the past year. This reflects the positive impact of domestic arrears' payments and banks' collection efforts outweighing the effects of the economic contraction brought on by the pandemic in 2020. The additional liquidity from domestic arrears' payment combined with reduced government borrowing from the banking system has freed liquidity, supporting a rise in private sector credit growth.

- The fiscal position has been loosened compared to our commitments for 2022 during the first review of the ECF arrangement (IMF Country Report 22/226). The non-oil primary deficit, whose projected path anchors debt sustainability under the IMF arrangement, was widened by 1.5 percent of non-oil GDP in 2022. This is mainly due to the high costs of fuel imports leading to the introduction of a new subsidy in the July 2022 revision of the budget. This new subsidy is being provided to Société Nationale des Pétroles du Congo (SNPC) for the purchase of fuel imports, which are resold to domestic fuel distributors and retailers. Subsidies for electricity and cooking fuels were also provided. As part of our commitment to fiscal consolidation, SNPC has transferred CFAF 12 billion (0.2 percent of non-oil GDP) of dividends to the 2022 budget—this includes CFAF 3 billion previously budgeted dividend transfers and another CFAF 9 billion in unpaid dividends from previous years (totaling CFAF 16 billion as of end-2021). The 2022 fiscal position has also benefitted from the recent agreement with oil producers on tax concessions, where CFAF 12 billion was paid to the government to compensate for shortfalls in tax payments during 2020–22 while negotiations were underway.

2. **In 2023, the recovery is expected to strengthen.** Real GDP growth is projected to gain momentum (growing at 4.1 percent) with a normalization of oil production (growing at 4.4 percent)—benefitting from resumed investment in 2022—and continued growth of the non-oil economy (4.0 percent). Non-oil growth reflects (i) low pandemic case numbers (ii) continued pick up in agriculture activity (supported by government investments during 2022) (iii) on-streaming of potash and iron ore mines (iv) increased government spending on social assistance and development projects and (v) continued arrears repayment supporting private consumption and investment. Average inflation is projected to decelerate to 3.3 percent in 2023, owing to the expected decline in international food and fuel prices. Lower oil prices will weigh on oil exports and increased public and private investment are expected to raise the import bill. Nevertheless, the current account balance will remain positive in 2023 (projected at 8.5 percent) and will help finance still high debt service (as G20 DSSI debt service picks up) and building of international reserves buffers.

3. **In the medium term, the implementation of structural reforms envisaged in our National Development Plan will be critical to reducing our economy's fragility through job creation and higher incomes, especially for the poor.** Real GDP growth would average 4.1 percent during 2024–27, driven by a healthy expansion of the non-oil sector (reaching 5 percent by 2026–27). Economic diversification is expected to accelerate on the back of improved food production, food storage, irrigation, and transport infrastructure as well as higher social spending (in healthcare and education) and reforms in governance, the financial sector, and the business environment. Oil production is projected to decrease after peaking in 2024 due to maturing of the main oil fields. The fiscal situation is anticipated to improve owing to improved domestic revenue mobilization, updated dividend payments by SOEs (including SNPC), increased oil-related VAT and customs duties payments and collection, phasing out of fuel subsidies (supported by deregulation of fuel prices except public transport and cooking fuels) accompanied by increases in targeted social assistance, prudent spending, and continued repayment of domestic arrears. The external sector may experience some pressures as reduced oil exports and increased imports (linked to higher non-oil growth performance) result in a current account deficit by 2027. These pressures will likely be mitigated by a decline in external debt service and a gradual rise in non-oil exports, foreign direct investment, and development partners' project as we progress in implementing our economic diversification strategy. Average medium-term inflation is expected to remain within 3 percent (consistent with CEMAC inflation targets).

4. **Risks are tilted to the downside.** They relate mainly to : (i) the intensification of spillovers from the war in Ukraine which could negatively affect investment, trade flows, remittances, and inflation; (ii) lower oil prices and disruption in oil production, including due to the evolving global transition to low-carbon economies; (iii) renewed pandemic related risks due to slow vaccine rollout

and new variants; (iv) adverse weather shocks raising food insecurity and inflationary pressures; (v) reduced investment in line with further interest hikes and tightening external financing conditions; and (vi) weak implementation of reforms. On the upside, accelerated reform implementation supported by development partners and higher metal prices are expected to have a positive impact on investment and economic growth. Higher fertilizer, metal, and oil prices could raise exploration and investment.

II. ECONOMIC AND FINANCIAL PROGRAM FOR 2022–24

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

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

A. Fiscal Policy

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

8. The medium-term fiscal stance will continue to be anchored on gradual consolidation of the non-oil primary balance by 6.9 percent of non-oil GDP (or 2.4 percent of GDP) between 2022 and 2027. High oil revenues are anticipated to result in overall primary balance surpluses that will enable repayment of both external debt and domestic arrears. Overall public debt-to-GDP is expected to gradually decline from 99 percent in 2022 to 71percent by 2027. Risks, including from negative oil price shocks, are largely mitigated by restructured payments to the two largest external commercial creditors being tied to oil prices (supporting the robustness of debt sustainability), and the availability of financing from the Congolese financial markets.

9. Steady progress continues on reducing external arrears. Since the conclusion of the first review of the ECF arrangement (IMF Country Report 22/226), arrears to one supplier were repaid and agreements were reached on arrears payments to Chinese companies (two agreements have been signed and one is being discussed). The authorities are engaged in the resolution of external arrears owed to the remaining suppliers and India's Exim Bank (not covered by DSSI). The government is committed to the non-accumulation of domestic or external arrears. To this end, we will: (i) set up a dedicated sub-account within the Treasury Single Account (TSA) at BEAC and discuss with development partners (AfDB, France, and World Bank) ways to ensure their disbursements are timely; and (ii) ensure that spending is undertaken in accordance with the rules governing sound public financial management, with a view to stopping the practice of procuring outside the budget (¶15). We will continue our efforts, including in court, to find solutions that put an end to disputes relating to certain external debts with the aim of eliminating all uncertainties concerning the level of our public debt.

10. Our 2023 budget, which will be approved by Parliament by end-2022, envisages strong fiscal consolidation while increasing social and capital spending. The 2022 fiscal loosening (¶1) will be compensated in 2023, after accounting for measures to mitigate the consequences of high inflation. The non-oil primary balance target is -13.3 percent of non-oil GDP, which translates into a primary balance target of 9.0 percent of GDP. The 2023 budget rests on the principle of mobilizing revenues and rationalizing non-priority spending by:

- Maintaining revenue-enhancing measures adopted over the past three years such as electronic payments, broadened of the tax base (including application of the recently completed enterprise survey and expansion of the land tax base owing to the conclusion of the land survey in 2022), gradually phasing out CIT exemptions for violating investment conventions, reducing customs exemptions rates for certain beneficiaries and eliminating exemptions for others, increasing excises in line with CEMAC guidelines, prohibiting tax incentives in forestry, and increasing collection of tax arrears.
    - The collection of tax arrears will be achieved by actively applying the inventory of all tax arrears and the probability of recovery, which are underway and expected to be completed by end-2022 (structural benchmark). The committee undertaking this task is also preparing a proposal for recovery strategies. Part of this strategy is a "tax amnesty" program that is already being implemented. The program forgives part of a taxpayer's existing tax arrears in exchange for payment of the rest during 2023–24. Since mid-May 2022, the program has been providing up to 30 percent relief on the principal amount and 80 percent relief of the penalties in exchange for payment within six months. In 2023, the recovery of tax arrears is anticipated to reach CFAF 5 billion.
    - 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.
- Maintaining low VAT rates and customs duties on essential food imports to help the population cope with high food inflation. Similarly, the 2021 reductions in turnover tax and corporate tax rates will also be maintained to help businesses whose margins are being eroded by high import costs (notwithstanding some decline in international fuel prices and transport costs).

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

- Recovering the remainder of past years' unpaid SNPC dividends (CFAF 7 billion).

- Eliminating VAT and customs duty exemptions for SNPC (projected to yield CFAF 11 billion) and requiring CORAF charge VAT on its sales (projected to yield CFAF 12 billion).

- Phasing out the fuel subsidies introduced in 2022. Total oil-related transfers (including to SNPC, CORAF, CEC, and subsidies for public transportation and cooking fuels) will be limited to CFAF 125 billion in 2023; and those to SNPC will be fully eliminated by 2024. This phasing out of fuel subsidies will be in line with the deregulation of fuel prices (discussed in the next bullet) and reductions in fuel import costs.

- Deregulating retail and entry distribution prices (EDP) for fuel during 2023-24—accompanied by a clear communication strategy—and updating the EDP pricing formula to account for improvements in CORAF's operating efficiency since 2016 (structural benchmark for end-December 2022). [1] The deregulation is beginning with an immediate 5 and 7 percent increase in retail and EDP prices, followed by quarterly increases leading to full reflection of international fuel prices in retail prices and EDP by end-2024—equivalent to a 30 percent retail price increase by end-2023 and another 45 percent increase by end-2024.

    - The impact on poorer households is expected to be contained as subsidies will continue for public transport and cooking fuels. Moreover, poorer households typically don't drive cars. To counter any second round price effects and tackle on-going food price increases, targeted social assistance has been expanded (¶11 elaborates).

- Continuing to step up social and development spending, especially in health care and sanitation, education, and agriculture.

- Implement the next steps of reforms adopted in 2019 that reduce transfers to 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. This will be done, taking into account the recent increase in the retirement age (varying by category of staff), which will place upward pressure on the wage bill.

- Announcing a multi-year domestic arrears payment plan.

[1] Technically, the EDP would be adjusted, which would flow through to the retail price while difference between the EDP and retail price would remain constant.

- Part of the oil revenue windfalls[2] in 2023 will finance the budget but the bulk will be used to retire debt and arrears as well as build buffers in the form of deposits at BEAC.

- We will actively monitor fiscal risks, especially from spending overruns, revenue shortfalls, or underproduction of oil. Should these risks materialize, contingency measures include streamlining non-essential spending, slowing capital spending and arrears payments (which have been back-loaded in the 2023 budget for this purpose), and raising additional revenues from increasing the withholding tax on service payments from oil producers.

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

- In terms of health care, we are prioritizing (i) vaccination—where we plan to vaccinate 1.03 million people before the end of 2023 but this target may be difficult to fulfill, despite our outreach efforts, due to vaccine hesitancy especially in the context of declining numbers of new cases; (ii) completing the construction of new hospitals; (iii) acquiring drugs against AIDS; (iv) distributing treatments preventing tuberculosis and malaria; and (v) providing prenatal, maternal and childcare. Total health spending in 2023 is expected at around CFAF 223 billion (3.6 percent of non-oil GDP), a slight improvement compared to 2022.

- In education, we continue to focus on all levels of schooling but we are providing free school supplies, textbooks, and school meals only for primary school. We are continuing to expand the number of educational facilities. Education spending of CFAF 292 billion (4.7 percent of non-oil GDP) is expected in 2023, an improvement compared to 2022.

- In terms of social protection, we are expanding disbursement to CFAF 162 billion (2.6 percent of non-oil GDP) in 2023 relative to CFAF 127 billion (2.2 percent of non-oil GDP) in 2022. This includes the emergency cash transfer program linked to the pandemic, where the amount provided to each household is being increased to support households facing any second round effects from the deregulation of fuel prices as well as still high food prices. The program's coverage will be increased from 280,000 beneficiaries at end-2022 to 400,000 by end-2023. We will also 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 the targeting and the impact of these programs. The successful piloting of mobile payments is being expanded. In 2023, we will aim to complete repayment of any remaining social sector arrears (especially pensions).

- Capital spending is expected to increase to CFAF 475 billion (7.6 percent of non-oil GDP) in 2023, partly financed by development partners. Priority development projects are being aligned with the new National Development Plan 2022–26. The sectors of agriculture (including agroforestry), roads, electricity, health care, education, and urban water, sanitation,

[2] Oil revenue windfalls are defined as oil revenues exceeding their projected amounts (in IMF Country Report 22/49) net of additional external debt payments exceeding their projected amounts (in IMF Country Report 22/49). In 2023, up to 2.3 percent of non-oil GDP of these windfalls will be used to finance development spending and repayment of arrears (always based on a comparison with IMF Country Report 22/49).

and transport are being prioritized. In addition, efforts to build a solid foundation for the structural transformation of our economy will lead to the pursuit of programs to promote tourism, industry, the digital economy, and special economic zones.

12. We have made good progress in repaying domestic arrears and we will continue with the objective of their full repayment by 2031. The stock of domestic arrears, which includes all audited arrears until 2018, was at CFAF 1014 billion (19 percent of non-oil GDP) at end-2021. We repaid CFAF 314 billion (6 percent of non-oil GDP) of these arrears in 2021 and CFAF 365 billion (6 percent of non-oil GDP) in 2022. Depending on the availability of financing our objective is to settle CFAF 211 billion (3.3 percent of non-oil GDP) of domestic arrears in 2023. In 2023, a new domestic arrears repayment scheme will be implemented. It will involve (i) prioritizing the payment of any remaining social arrears (without any haircut); and (ii) paying CFAF 100 billion (1.6 percent of non-oil GDP) in domestic commercial arrears, where a haircut of 30 percent will be applied. The strategy for repayment of the remaining arrears will be developed by mid-2023.

13. Over the medium term, we plan to continue pursuing the fiscal strategy outlined above. Specifically, we will aim to reduce the non-oil primary fiscal deficit from 15.7 to 8.8 percent of non-oil GDP during 2022–27, which will more than compensate for the fiscal loosening in 2022. 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 2023 budget):

- Upgrade the hydrocarbon-related VAT administration and eliminate hydrocarbon-related VAT exemptions. To this end, a comprehensive stock-tacking and associated revision and simplification of tax laws (into a single legislation) should be completed by end-June 2023 and end-December 2023, respectively (both are structural benchmarks). This process will also include stock-taking of the currently levied VAT on petroleum products and ensuring its full remittance to the State. Efficiency of administering VAT on fuels will also be improved, including through application of the standard credit-invoice method (based on the revision of relevant decrees by 2025).

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

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

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

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

- Continue increasing excise duties on tobacco (from 16.5 to 30 percent) and alcohol (from 12.5 to 25 percent), vehicles (12.5 percent), and luxury items (25 percent) in line with CEMAC guidelines.

- Reforms to SOEs will be prioritized, especially for CORAF and CEC, with a view to (i) substantially reducing the transfers and subsidies they receive and (ii) augmenting the transparency of SOE operations. We will study the production costs of CORAF and CEC and an action plan will be put in place for raising their efficiency and ensuring the electricity billing process and coverage reflect actual electricity consumption (¶24).

- By mid-2023, complete the on-going expanded analysis of the financial status of decentralized government units and public enterprises—including all SOEs, PPPs, and public banks—to better understand medium-term fiscal risks, identify vulnerabilities, and facilitate monitoring.

- Should revenues (including from oil) fall short or other fiscal risks be realized, we will slow arrears repayments.

B. Public Investment and Debt Management

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

15. We will only procure projects that are in the budget. To this end, we developed a comprehensive template for consolidated and sectoral public procurement plans—where we worked closely with IMF and World Bank experts to ensure proper coordination across departments (including IT) in both the development and implementation of the template. The template has been rolled out to pilot ministries and agencies (including the Ministries of Education and Health) in the third quarter of 2022 and the filled-in template mapped to the 2023 budget (for the pilot ministries) by end-2022 (structural benchmark). The budget law for 2023 explicitly states that procurement cannot take place outside the template for the pilot ministries, except for emergency items that are approved by the Minister of Finance before the procurement is initiated. To further improve procurement practices we plan to operationalize the “cellule de gestion des marchés publics” in each MDA, including the “secretariat permanent”, the “commission de passation des marchés”, and the “sous-commission d’analyse”. With support from the World Bank, the relevant decree has been drafted and a workshop is being planned to help finalize the draft. The decree is expected to be adopted by mid-2023.

16. Current project planning methods will be upgraded and systematized. With the support of IMF technical assistance during 2023 (public investment management assessment), 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 2063 African Union Agenda, and the CEMAC's regional economic program—and cost-benefit analysis. Training will continue to be provided to our staff to develop their capacity to prepare and implement the medium-term investment plan.

17. We will improve the efficiency of public investment implementation, especially given large infrastructure spending needs. Here, among other efforts, we will review the World Bank-supported survey on the efficiency of past investment projects (those launched since 2014), finalized at end-2022. Based on this review, by end-September 2023, we will create an action plan to improve the effectiveness of public investment, including facilitating project implementation early in the fiscal year (e.g., opening of accounts, allocations of spending credits).

18. We will advance prudent debt management and the level of debt transparency to help enhance debt sustainability. The government will exclusively use concessional external loans for the duration of the program—except the extended maturity loans from the World Bank (IBRD) and all budget support loans identified under the program—and the government will seek refinancing in regional and national markets for previously issued securities and to cover short-term liquidity needs. The breaches of the zero ceiling on contracting new non-concessional external debt and the consultation clause under the program on signing of new external debt arrangements (as defined in the TMU) have exposed serious remaining debt management challenges. We have taken corrective action to reverse the negative impact of the breach, agreed with Fund staff on reformulation of the TMU consultation clause to spell out its perimeter, and have requested Fund TA to identify weaknesses in the legal, institutional, and operational framework of debt management that may have led to this breach. Prior to the next program review, we will implement any measures recommended by this TA as feasible within this timeline. 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.

19. In July 2022, we prepared a comprehensive debt management strategy for 2023–25. This strategy has been developed with the support of IMF TA and will be published and implemented once approved by the National Debt Committee. Its objective is to (i) finance the needs of the State at as low a cost as possible while maintaining debt risks at acceptable levels—including prioritizing euro-denominated and longer maturity loans; and (ii) contribute to the development of the domestic and regional market for government securities. To be effective, the new medium-term debt management strategy has been translated into the 2023 budget (e.g., loans projections aligned with the procurement template and detailed domestic borrowing plans).

20. To strengthen the credibility of the debt management strategy and improve coordination between debt managers and the budget authorities, the new medium-term debt management strategy will be translated every year into an annual borrowing plan as an annex to the budget law (as required by regional regulations), beginning with the 2023 budget law.

The borrowing plan will include details (nominal borrowing amount on cash basis and maturities) on planned issuance of government securities, planned disbursement amount for each project-loan, and estimated amount of budget support.

21. To improve its accountability and effectiveness and to overcome capacity bottlenecks, the Caisse Congolaise d'Amortissement (CCA) is being restructured. The process (developed with support of IMF TA) should be complete by end-September 2023. Key steps include adoption of the draft decree relating to the mission of the office (organizational structure of the CCA, clarification on coordination with the Treasury Department, end-March 2023), nomination of staff to each division (end-May 2023), and adoption of a new procedure manual (end-June 2023). Additionally, starting March 2023, we will begin implementing a training program with support of IMF and World Bank TA to strengthen staff capacity. These improvements will be crucial in strengthening debt management operations (including issuances of public securities), debt monitoring, transparency, and accountability. We are committed to ensuring better sharing of information across the CCA, the Treasury, and BEAC.

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

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

- Going forward, we plan to step up reliability and transparency of public debt information. By end-March 2023, we plan to publish a more comprehensive 2021 annual public debt report (structural benchmark) than what was published in May 2022. Among other information, this report will include further details on the guaranteed and non-guaranteed debt of the 10 largest SOEs. Following this structure, by end-December 2023, we plan to publish the 2022 annual public debt report. Separately, we will (i) improve recording of debt data (ii) publish, on a quarterly basis, data on the outstanding stock of public debt, that will include composition by creditor (current, in arrears, contingent debt), currency denomination, maturity, and interest rate structure and debt service projections. We will also publish annual projections of domestic and external debt, both guaranteed and nonguaranteed, of the central government, public enterprises, public institutions, and local authorities.

C. Safeguarding and Improving Use of Energy Resources

23. We plan to continue substantive energy sector reforms that are critical for improving governance, reducing contingent liabilities of energy sector SOEs, mobilizing revenues, and rationalizing spending. This includes the fuel price deregulation during 2023–24 and accompanying measures elaborated in ¶10 and 13 that will (i) support increased revenues while protecting the vulnerable and (ii) improve governance of SOEs such as SNPC, CORAF, and CEC. We will also publish the audit reports of these two companies for year n, before the end of year n+1. In this context, we will continue to enforce (i) implementation of the performance contract with CORAF focused on efforts to reduce operating costs and undertake only prudent investments (ii) payment by CORAF of the crude oil made available to it by the State in the Treasury Single Account (TSA) (iii) sale by CORAF of petroleum products directly to distribution companies, (iv) recovery by CORAF from distribution companies of revenues from the sale of petroleum products, and (v) 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 that is aligned with the schedule of fuel price deregulation. Along these lines, the payment of the subsidy to the CEC will continue to be based on quarterly reporting of expenditures to justify the subsidy and CEC's turnover, including claims from the energy sector.

24. We are developing an action plan for the next phase of reforms aimed at reducing transfers and subsidies, especially to CORAF and CEC. Key elements will include: (i) a study to determine production costs (completed by end-2023); (ii) improving the electricity billing process and coverage to reflect actual electricity consumption with a view to recovering production costs (this portion of the plan completed by mid-2024); (iii) implementing an updated version of the 2005 price-based regulatory framework for fuel prices and ensuring sufficient social assistance to mitigate the impact on vulnerable groups (¶10,13); and (iv) enforcing full payment by CORAF for the oil purchased from the government and full payment of dividends by SOEs, including SNPC.

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

D. Public Financial Management and Governance Reforms

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

- 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 in 2023. As a result, the CABD’s capacity and independence will be strengthened.

- We are implementing the new medium-term strategy for PFM reforms, which was developed with support from IMF TA. The accompanying comprehensive 3-year action plan—which includes a roadmap for future reforms, including a comprehensive timetable of actions and reforms—will be updated every 18 months.

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

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

- We will be implementing the new organizational chart of the Ministries of Finance and Budget.

- We are committed to improving the architecture of the Treasury Single Account (TSA) at the central bank. To this end, (i) we will prepare a complete list of all public accounts (end-2022), spanning central government and public entities, remaining in commercial banks with a view to closing them (in line with an action plan) after transferring the associated deposits to the BEAC; and (ii) we will ensure the automatic transfer of revenues from sales of oil exports and of resources from public entities into the TSA—which will begin after the related convention between the BEAC and the Treasury is finalized (end-2022). These actions, which are part of the PFM strategy, should lead to improved Treasury services and facilitate proper payment execution. 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 receipts, we will ensure the full interconnection of information management systems used by customs offices (ASYCUDA), tax authorities (E-TAX), and Treasury. Regarding the interface between E-Tax and ASYCUDA, a data exchange protocol has been signed between the two administrations and a consultation platform is already operational. The specifications for the Treasury part have not yet been drawn up. The general platform will be operational by end-2023.

- We are committed to prepare the transition toward accrual accounting (by end-2024), with the creation of an opening balance sheet committee (by end-February 2023). The committee will be in charge of establishing the opening balance sheet and define the main steps toward the implementation of the accrual accounting.

27. 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 but some weaknesses are still being addressed. Delays in SIGFIP implementation during 2022 were due to funding and capacity challenges which are being addressed. The modules on cash management, budget reporting, and procurement are targeted to become operational by end-2023 (structural benchmark); and the module on accounting, including accrual accounting as well as the transition to program budgeting, by end-2024. The operationalization of SIGFIP combined with the interconnection of other information management systems (such as the systems used by the customs and tax administrations as well as the Treasury) will enable comprehensive monitoring of public revenue collection (oil and non-oil) and the execution of public spending (the full expenditure chain). To assist with the implementation of the new system, the IMF has provided technical assistance, which supported development of an action plan related to SIGFIP implementation. The government is committed to implementing this SIGFIP action plan. To ensure proper implementation of SIGFIP, the government is providing adequate infrastructure (electricity, internet) and is setting up processes for regular communications across relevant departments, providing training, and performing adequate testing of the new SIGFIP.

28. To ensure full transparency of emergency spending during the pandemic, the government continues to commit to the following measures. We have posted 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), where contracts signed during the last quarter of 2022 onwards will be posted within 60 days of their award. Continuing the practice of the first three quarters of 2022, we will undertake and post on the government website ex-post reports on the delivery of COVID-19 related contracts during the last quarter of 2022 onwards, within 90 days of completion dates. We have hired a reputable third-party internationally renowned audit company to audit all COVID-19 related purchases and expenses contracted in the fiscal years 2020 and 2021. The audit results for 2020 have been posted on the government website; and those for 2021 posted at end-December 2022. The audits focus not only on the financial aspects of procurement, but also on compliance with applicable procurement regulations.

29. 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 significant steps to address governance weaknesses and corruption vulnerabilities, including the publication of a comprehensive diagnostic report on governance and corruption in 2018, the reinforcement of our anti-corruption legal architecture, and steps to improve governance in the oil sector. Progress in increasing access to information and transparency will contribute to confronting corruption vulnerabilities, which constitutes a necessary precondition to improving the business climate. For example, we have published the 2018, 2019, and 2020 reports of the Extractive Industries Transparency Initiative (EITI); and we are committed to publishing the 2021 report shortly. We will further improve our natural resource management by establishing a public register or cadaster system in the mining and forestry sectors by end-March 2023 (structural benchmark), which will support our efforts to investigate environmental crimes (poaching, illegal logging, trafficking of wildlife and wood products) and related money laundering. To further improve governance, we will by end-June 2023 conduct a comprehensive analysis of the implementation of measures committed to in the 2018 diagnostic report on governance and identify areas for further improvement, including those related to rule of law and transparency. This effort will be supported by IMF technical assistance on areas related to anticorruption and rule of law, as well as AML/CFT. We will also develop an action plan for improving AML/CFT that builds upon recommendations from Congo's recently published AML/CFT Mutual Evaluation Report.

30. We have substantially improved our anti-corruption architecture. A new anti-corruption law was passed by Parliament in February 2022 and enacted in March 2022. Effective implementation of the new law is integral to meeting our obligations under the United Nations Convention Against Corruption (UNCAC), particularly in relation to the criminalization of corruption offences, and other international obligations undertaken by Congo. The conflict of interest decree, issued and published in August 2022, establishes clear rules as to the behavior expected of public officials as well as an effective institutional framework. To remedy some procedural shortcomings, a ministerial order is being adopted (by January 2023) to establish mandatory disclosure of interests: (i) upon entering on duty; (ii) once every year regardless of substantial modification, and (iii) in case of substantial modification. This ministerial order will also establish a formal model for disclosure detailing the type of private interests to be listed, such as beneficial ownership of assets and information on family members. These changes will ensure compliance with the requirements of the UNCAC and international practices. Our anti-corruption commission, the High Authority for the Fight against Corruption (HALC), is fully operational. We are committed to ensuring its full independence, as required by law, and to making sure that it receives the necessary budget allocations to perform its functions. As of end-2022, we are publishing annual 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.

31. We have operationalized the requirement that high-level officials disclose their assets to the Supreme Court. We enacted a law in 2018 that gives effect to the constitutional requirement that high-level officials declare their assets. We will work with IMF staff to revise the existing asset declaration law to address gaps on verification of assets, frequency of filing, online publication and information sharing and ensure the law is consistent with international good practices, particularly the G20 High Level Principles on Asset Disclosure by Public Officials. We will also work to harmonize our interest and asset disclosure systems so they can effectively contribute to the fight against corruption.

32. The government is making strides in advancing transparency.

- We have established by law the commission designed to implement the law on transparency, which gives effect to Congo's regional commitments on budget transparency. The commission, which is required by law to include civil society representation, is operational. We will ensure that the commission, which includes civil society representatives, is equipped with the necessary resources to perform its functions, primarily to make publicly available the information required under the law. We will also ensure that all parts of our administration cooperate fully with the 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 by end-February 2023.

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

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

33. The government supports the widespread dissemination of information on court proceedings and the functioning of law enforcement institutions as a step to better resource allocation and as committed to in the 2018 diagnostic. To this end, we are publishing on the official website: (i) for each court (magistracy), the number of sitting judges, the staff in office and the number of vacant positions, and for each service (prosecution), the number of prosecutors and staff, as well as the number of vacant posts; (ii) the number of cases relating to corruption, AML/CFT, insolvency, foreclosures, and land for 2015–20; and (iii) all decisions of the Supreme Court.

E. Broader Structural Reforms

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

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

- Raising access and affordability of energy, through the reforms in ¶10,13, 23–25 and the development of new energy sources (especially for rural electrification) such as solar and wind power.

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

35. We will also strengthen financial sector resilience and broaden access to finance, which will support macroeconomic stability, economic diversification, and resilience-building. A roadmap for the implementation of the 2022–27 sub-regional financial inclusion strategy has been developed. To support these efforts, the government has adopted a law regulating factoring and leasing in compliance with local and regional regulations guided by BEAC and COBAC. Other regulatory provisions have been implemented or are being drafted for a significant improvement of the legal framework for business, in particular the decree setting the terms and procedures relating to the registration of credit, microfinance and certified payment institutions practicing in the Republic of Congo; the law governing financial mediation in the Republic of Congo; and the decree on the procedures and conditions for the registration of real estate securities. Electronic money activities (mobile banking, mobile money, etc.) are governed by CEMAC regulatory texts, in particular Regulation No. 02/03/CEMAC/UMAC/CM relating to payment systems, means and incidents, Regulation n°01/11/CEMAC/UMAC/CM relating to the exercise of the activity of issuing electronic money and COBAC Regulation R-2005/02 relating to electronic money institutions. The government will also continue to strengthen the legal and judicial systems' ability to address financial litigation. Financial stability will benefit from the reduction in non-performing loans as domestic arrears clearance progresses (¶12). We will also continue to closely monitor the solvency and liquidity indicators of the banking system and develop restructuring plans for two fragile banks.

F. Strengthening Statistical Capacities

36. The government will prioritize improvement of public statistical databases. The Ministry of Planning and Statistics is implementing a plan to improve data collection capacities and ensure the regular publication of useful and high-quality statistics for the development of public policies. Considerable improvements have been made to the quality of annual national accounts statistics with the assistance of the IMF. Recently, the consumer price index was rebased, and quarterly national accounts are expected to be released and published by end-June 2023. 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 is underway, supported by funding from the World Bank.

37. 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 websites of the Ministry of Finance and National Institute of Statistics. Foreign trade statistics are published on the website of the National Institute of Statistics. 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

38. 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

39. 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 third semi-annual review will be based on data and performance criteria at end-December 2022 and is expected to take place after April 15, 2023. The fourth semi-annual review will be based on data and performance criteria at end-June 2023 and is expected to take place after October 15, 2023.

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

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

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

	Type of criteria	End-Feb 2022			End-Jun 2022				End-Sept 2022		End-Dec 2022		End-Mar 2023		End-June 2023	End-Sept 2023	End-Dec 2023
		PC Program	Actual	Status	PC Program	PC Modified Program	Actual	Status	IT Program	IT modified Program	PC Program	PC modified Program	IT Program	IT modified Program	PC Program	IT Program	PC Program
Floor on basic non-oil primary budget balance[2]	PC	-128	-62	Met	-309	-321	-284	Not Met	-459	-396	-510	-506	-131	-143	-303	-444	-523
Adjusted target (floor)		-126				-233											
Upward (Downward) adjustment for higher (lower) than expected oil-related transfers		0				57											
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower oil revenue		1				31											
Ceiling on net domestic financing of the central government	PC	168	106	Met	289	217	144	Not Met	331	101	-262	-57	209	-15	-47	-121	-297
Adjusted target (ceiling)		169				22											
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue		1				-195											
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3]	PC	0	0	Met	0	0	0	Met	0	0	0	0	0	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,4,5,7]	PC	0	0	Met	0	0	1132	Not Met	0	0	0	0	0	0	0	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,6]	PC	0	0	Met	0	0	0	Met	0	0	0	0	0	0	0	0	0
Floor on non-oil revenues	IT	96	113	Met	289	298	355	Met	495	553	758	762	182	191	405	632	881
Floor for social and poverty-reducing spending	IT	61	38	Not Met	152	152	184	Met	228	228	379	379	96	80	181	322	402
Ceiling on disbursements of external loans for investment projects	IT	17	16	Met	56	56	133	Not Met	111	149	143	157	25	67	123	176	186
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion) [4,7]	IT	15	0	Met	37	36	0	Met	52	0	69	33	43	46	86	100	140
Floor on repayment of domestic arrears accumulated by the central government	IT	16	20	Met	30	60	270	Met	161	361	402	365	21	20	40	90	200
Memo items:																	
Oil revenue[8]		161	222		439	680	907		1082	1272	1546	1405	236	241	584	965	1439
Expected external assistance, net[9]		-118	-182		-299	-409	-471		-614	-557	-870	-845	-67	-133	-239	-364	-555
- BoP assistance (IMF-ECF)		51	54		102	106	108		106	108	158	108	0	55	83	83	110
- Budgetary loans and grants (excl. IMF)		9	0		19	19	61		29	66	103	98	92	30	88	127	189
- Change in non-program external arrears		0	-15		0	0	0		0	0	0	0	0	0	0	0	0
Payments for current external debt service due after debt relief		127	167		318	428	532		643	622	974	943	160	164	328	491	744

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

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

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

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

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

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

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

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

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

Table 2. Republic of Congo: Structural Benchmarks		
Measures	**Target date**	**Macroeconomic Rationale**
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.
Update EDP pricing formula to account for improvements in CORAF's operating efficiency over the past three years.	End-December 2022	Improve transparency and governance and protect public resources.
Operationalize the procurement planning template for pilot ministries by mapping the commitment, procurement, and cash plans of the 2023 budget to it.	End-December 2022	Improve management of public spending (including public investment), budget credibility and transparency, and cash management.
Establish a public register or cadaster system in the mining and forestry sectors.	End-March 2023	Reduce corruption, improve governance, and protect public resources.
Publication on the government website of the 2021 annual debt report, which includes elaboration on guaranteed and unguaranteed debt of the 10 largest SOEs.	End-March 2023	Improve transparency and manage debt-related risks.
A comprehensive stock-taking of hydrocarbon-related VAT administration (including exemptions).	End-June 2023	Improve tax administration and support domestic revenue mobilization efforts.
Revision and simplification of hydrocarbon-related VAT tax laws (into a single legislation).	End-December 2023	Improve tax administration and support domestic revenue mobilization efforts.
Fully operationalize the modules for cash management, fiscal reporting, treasury, and procurement of the new Expenditure Tracking Software (SIGFIP).	End-December 2023	Improve transparency and governance and protect public resources.

Table 3. Republic of Congo: Prior Actions		
Measures	**Status**	**Macroeconomic Rationale**
SNPC to declare and pay at least CFAF 12 billion of dividends to the 2022 budget.		Improve transparency and governance and protect public resources.
Increase regulated fuel prices by 5 and 7 percent, respectively, for retail and entry distribution prices (EDP).		Improve transparency and governance and protect public resources.
Parliament to pass a budget that includes (i) full phase-out of the new fuel subsidy during 2023–24 (ii) elimination of VAT and customs duty exemptions received by SNPC (iii) VAT charged by CORAF on its sales and (iv) gradual fuel price deregulation accompanied by stepped up social assistance to protect the vulnerable, which can be financed by (ii) and (iii).		Improve revenue mobilization and management of public spending and protect public resources.
Adopt and publish a ministerial order that accompanies the decree on conflict of interest rules and procedures, where the ministerial order establishes a formal model for disclosure detailing the type of private interests to be listed, such as beneficial ownership of assets and information on family members, as well as mandatory disclosure of interests: (i) upon entering on duty; (ii) once every year regardless of substantial modification, and (iii) in case of substantial modification.		Reduce corruption, improve governance, and protect public resources.

Attachment II. Technical Memorandum of Understanding

I. INTRODUCTION

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

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

II. KEY DEFINITIONS

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

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

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

A. The performance criteria (PC) include:

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

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

B. The indicative targets (IT) include:

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

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

A. Performance Criteria

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

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

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

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

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

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

10. **For the purposes of the ceilings on the contracting or guaranteeing of new external debt (concessional and non-concessional), external debt is any debt contracted or guaranteed by the central government in foreign currency**, with the following exceptions: (i) commercial debts in connection with import operations having maturities of less than one year; (ii) debt management operations (DMOs)—defined as the repayment or refinancing of the principal of outstanding external public debts prior to or at their maturity dates, where the present value savings from DMOs will be determined by a positive differential between the grant elements of the newly issued debt instrument (taking into account all costs associated with the operation) and of the debt instrument it replaces, using the IMF Concessionality Calculator (https://www.imf.org/external/np/pdr/conc/calculator/default.aspx)—that result in a reduction of the present value (present value savings) of the overall public external debt and/or an improvement of the overall public external debt service profile; (iii) all sources of budgetary loans identified in the program; and (iv) debt to creditors whose residency can be tracked, in which case the definition of external debt is on a residency basis. For program purposes, BDEAC loans are considered as external debt. External debt contracted or guaranteed by the government is considered to be concessional if, at the date on which it was contracted, it included a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the nominal value and the present value (PV) of the debt, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[1] For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. For the purposes of the program, all sources of loans contracted from the World Bank (both IDA and IBRD) that have a grant element that is less than 35 percent will not be included in the calculations of the ceiling on contracting new non-concessional external debt. For program monitoring purposes, external debt is considered to be contracted or guaranteed when all of the conditions for it to enter into effect have been met, including approval of the arrangement by the government of the Republic of Congo (the Council of

[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).

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

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

B. Indicative Targets

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

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

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

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

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

C. Memorandum Item Indicators

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

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

D. External Debt

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

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

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

III. ADJUSTORS

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

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

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

- *When total net external assistance exceeds program projections,* the floor for the basic non-oil primary fiscal balance will be adjusted downward by an amount equal to half of the surplus (so that half of the surplus can be used for additional expenditure). The ceiling for net domestic financing to the government will be adjusted downward by half of the surplus. At least half of the additional resources available for expenditure must be used in the social sectors (for current and/or capital expenditure) and the rest to repay domestic arrears. The floor on social and poverty reduction expenditure will be adjusted upward by the amount of additional expenditure in social sectors. The floor on the reimbursement of domestic arrears accumulated by the central government will be adjusted upwards by the additional resources used to pay these arrears. The additional amount for net domestic financing will be used to strengthen government deposits at the BEAC. Exceptions to the application of this adjustment is when (i) grant financing for the government's social cash transfer program in 2022 or 2023 exceeds program projections for that year—in this case, if social cash transfer spending increases by the same amount as the grant, the floor for the basic non-oil primary fiscal balance will remain unchanged for that year; and otherwise, it will be adjusted upward by the full amount of the surplus with a corresponding reduction in the ceiling for net domestic financing; and (ii) World Bank budget financing in 2023 exceeds projections—in this case the 2023 floor for the basic non-oil primary balance will remain unchanged and the ceiling for 2023 net domestic financing to the government will be adjusted downward by the full amount of the excess World Bank budget financing.

- *When oil revenues exceed program projections,* they must be fully saved as government deposits at the BEAC, with a corresponding reduction in the ceiling for net domestic financing.

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

- *When total net external assistance is below program projections,* the floor for the basic non-oil primary fiscal balance will be adjusted upward by an amount equal to half of the shortfall (requiring a budget adjustment equivalent to half of the shortfall). The ceiling for net domestic financing to government will be adjusted upward by half of the shortfall. If there are cuts in social and poverty reduction expenditure, the corresponding floor will be adjusted downward by cuts in expenditure in social sectors. If there are cuts in domestic arrears repayments, the floor on the repayment of domestic arrears accumulated by the central government will be adjusted downward. The exception to this adjustor is when the World Bank budget financing in 2022 is below projections—in this case the 2022 floor for the basic non-oil primary balance will remain unchanged and the 2022 ceiling for net domestic financing to the government will be adjusted upward by the full amount of the shortfall in World Bank budget financing.

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

IV. PROGRAM MONITORING AND REPORTING REQUIREMENTS

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

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

27. The authorities undertake to consult IMF staff prior to entering into any new debt commitments that give rise to obligations in currency other than the CFA Franc or to FX-indexed obligations. They will report to IMF staff on the signing of any new external debt arrangements and the conditions pertaining to such debt.

Table 1. Republic of Congo: Social Spending in the 2022–23 Budget

(Billions of CFA francs)

ITEM	2022	2023				
		Q1	Q2	Q3	Q4	Total
Basic health and fight against disease	**174.3**	**35.7**	**44.6**	**62.4**	**35.7**	**178.3**
Acquisition and management program of essential and generic drugs, biological and reagent check-up	6.2	1.7	2.1	3.0	1.7	8.5
Program of free AIDS drugs, biological and reagent check-up	18.0	2.6	3.2	4.5	2.6	12.8
AIDS education and outreach campaign	0.5	0.1	0.1	0.2	0.1	0.5
Malaria and other diseases control program	15.1	3.2	4.0	5.6	3.2	16.1
Extended vaccination program	12.9	2.2	2.7	3.8	2.2	10.8
Response to epidemics	17.6	3.6	4.5	6.3	3.6	17.9
Free caesarean section program	2.4	0.3	0.4	0.6	0.3	1.7
Tuberculosis control program	0.5	0.1	0.1	0.1	0.1	0.3
Program for the control of non-contagious diseases, including trypanosomiasis and onchocerciasis	0.7	0.1	0.1	0.2	0.1	0.5
Revitalization of health districts through the purchase of medical-technical equipment and functioning of hospitals and health centers	73.0	13.0	16.2	22.7	13.0	64.8
Construction and rehabilitation of general and basic hospitals as well as health centers in towns and rural centers	23.2	7.5	9.4	13.2	7.5	37.6
Women's and teenager health	4.2	1.4	1.7	2.4	1.4	6.8
Basic education	**102.6**	**18.6**	**23.3**	**32.6**	**18.6**	**93.1**
Construction and rehabilitation of school buildings	6.5	2.1	2.6	3.7	2.1	10.5
Program of free school supplies, textbooks and tuition fees as well as teaching materials in primary, secondary general, technical and vocational schools	24.3	4.3	5.3	7.5	4.3	21.4
School canteen program	5.1	1.1	1.4	2.0	1.1	5.6
Strengthening the capacities of the education and research system	27.0	3.9	4.8	6.8	3.9	19.3
Scholarships, school and university aid	30.5	4.3	5.3	7.5	4.3	21.3
Program for the acquisition of table-bench at school level	0.0	0.0	0.0	0.0	0.0	0.0
Construction, rehabilitation of university infrastructure and equipment, scientific research and technological innovation	9.2	3.0	3.7	5.2	3.0	14.9
Infrastructures for improved access	**52.2**	**16.9**	**21.2**	**29.7**	**16.9**	**84.7**
Construction and rehabilitation of rural and agricultural roads through the Commercial Agriculture Development Program (PDAC)	5.3	1.7	2.1	3.0	1.7	8.6
River maintenance, dredging and tagging	2.7	0.9	1.1	1.5	0.9	4.4
Community projects and revitalization of the village fabric	0.7	0.2	0.3	0.4	0.2	1.1
Construction and repair of access infrastructure (roads, bridges, etc.)	43.5	14.1	17.7	24.7	14.1	70.6
Electricity, water and sanitation	**69.8**	**18.8**	**23.4**	**32.8**	**18.8**	**93.8**
"Water for all" program to continue the drinking water supply operation in urban and rural centers	10.7	2.8	3.5	4.9	2.8	14.1
Construction of electrical works for population access to energy	16.7	5.0	6.2	8.7	5.0	24.9
Sanitation of towns and, as a consequence, the cleaning of gutters and the destruction of breeding sites	42.4	10.9	13.7	19.1	10.9	54.7
Social protection and employment	**58.9**	**10.5**	**13.2**	**18.4**	**10.5**	**52.7**
Charitable actions and social assistance	0.7	0.2	0.2	0.3	0.2	0.9
Integration and social and economic reintegration of disabled people and minorities	0.4	0.1	0.1	0.1	0.1	0.3
Support for vulnerable people and street children	28.1	5.8	7.3	10.2	5.8	29.2
Self-employment and training for small trades through income-generating activities for the benefit of young people in general and particularly unemployed young people	2.7	0.7	0.8	1.2	0.7	3.4
Implementation of universal health insurance	26.9	3.8	4.7	6.6	3.8	18.9
Agriculture, fishing and livestock	**16.9**	**4.7**	**5.9**	**8.3**	**4.7**	**23.7**
Supervision program for market gardeners in urban and rural centers	9.9	3.2	4.0	5.6	3.2	16.0
Improved seed distribution program	0.5	0.1	0.1	0.2	0.1	0.5
Agricultural techniques outreach and demonstration program	2.7	0.4	0.5	0.7	0.4	1.9
Livestock techniques demonstration program	3.7	1.0	1.3	1.8	1.0	5.2
Bovine sharecropping program	0.1	0.0	0.0	0.0	0.0	0.1
Promotion of women	**4.8**	**1.0**	**1.2**	**1.7**	**1.0**	**5.0**
Gender issue	2.9	0.6	0.7	1.0	0.6	2.8
Self-employment and training in small trades through income-generating activities for the benefit of women and young mothers	2.0	0.4	0.5	0.8	0.4	2.2
TOTAL	**479.5**	**106.2**	**132.8**	**185.9**	**106.2**	**531.2**

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

Sectors	Type of data	Frequency	Reporting period
Real sector	Consumer price indices	Monthly	End of month plus 45 days
	Oil production	Monthly	End of month plus 45 days
	Trade statistics (exports and import, HS-2 digit)	Quarterly	End of quarter plus 45 days
	Estimated national accounts	Annual	End of year plus 3 months
Government finance	Table of government financial operations (TOFE)	Monthly	End of month plus 30 days
	Estimated government tax revenue	Monthly	End of month plus 30 days
	Summary statistical statement of tax and customs exemptions	Monthly	End of month plus 30 days
	Pro-poor expenditure	Monthly	End of month plus 30 days
	Consolidated statement of treasury balances payable	Monthly	End of month plus 30 days
	Domestic arrears of the central government	Monthly	End of month plus 30 days
	Budget execution report	Quarterly	End of quarter plus 45 days
Domestic debt	Detailed statement of domestic debt	Monthly	End of month plus 30 days
	Detailed reporting on treasury bills (BTA) outstanding and new issuances	Monthly	End of month plus 30 days
	Detailed reporting on the stock of loans and bonds	Monthly	End of month plus 30 days
	Details of any new domestic borrowing and guarantees	Monthly	End of month plus 30 days
	Detailed domestic debt service forecasts	Quarterly	End of quarter plus 45 days
	Statement of issuances and reimbursements of treasury bills and bonds	Monthly	End of month plus 30 days
	Table on holders of treasury bills and bonds, stating the amounts held at the end of each month by Congo banks, CEMAC banks, and the nonbank sector	Monthly	End of month plus 30 days
	Debt statement and debt service projections for the 10 largest public enterprises	Semi-annually	End of semester + 45 days
	Detailed financial statement of the 10 largest public enterprises	Annually	End of year + 6 months
External debt	Detailed statement of external debt	Monthly	End of month plus 30 days
	Details of any new domestic and external borrowing and guarantees	Monthly	End of month plus 30 days
	Table of disbursements of new borrowing	Monthly	End of month plus 30 days
	Table of disbursements of loans contracted before the program	Monthly	End of month plus 30 days
	Projected external debt service	Quarterly	End of quarter plus 30 days
	Plans of contracting new budgetary support and project loans for the next two years	Quarterly	End of quarter plus 30 days

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

	Detailed statement of external liabilities (whether or not guaranteed by the government) and external assets of public enterprises, and projected debt service	Quarterly	End of quarter plus 45 days
Balance of Payments	Provisional balance of payments	Annual	End of year plus 4 months

INTERNATIONAL MONETARY FUND

REPUBLIC OF CONGO

December 19, 2022

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

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

Approved By
Vitaly Kramarenko and Geremia Palomba (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[1] of the Republic of Congo are classified as "in distress", reflecting outstanding external arrears and remaining uncertainty about the magnitude of valid domestic arrears—but debt is assessed as "sustainable". Recently, arrears to one commercial supplier were fully paid and agreements were signed for settling arrears with two Chinese commercial creditors.

Improved debt management (including restricting new external financing to concessional terms), fiscal discipline, higher oil prices, and recently completed debt restructuring (including resolution of arrears, nominal haircuts on the outstanding stock, maturity extensions, and interest rate reductions) are projected to help all external liquidity and solvency indicators fall below their thresholds by 2026 under the baseline scenario.[2] Oil price assumptions (based on the October 2022

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

[2] The composite index (CI), estimated at 2.22 and based on the October 2022 World Economic Outlook (WEO and 2021 World Bank Country Policy and Institutional Assessment (CPIA) data, indicate a weak debt carrying capacity for Congo.

WEO assumptions) and higher non-oil growth supported by the authorities' reform agenda, coupled with increased debt amortization (tied to high oil prices), are expected to reduce the public debt-to-GDP ratio and help avoid accumulation of new domestic arrears. Nevertheless, there are major external and overall debt-related risks, as signaled by the PV of the public debt-to-GDP indicator exceeding its benchmark until 2031 and three external debt indicators breaching thresholds, though these are contained within 4 years. The upward revision in the overall debt-to-GDP ratio over the medium-term, largely driven by the impact of historical GDP revisions on nominal GDP forecasts, has increased debt-related risks. Even though the PV of overall public debt-to-GDP ratio breaches its benchmark extensively, it is assessed as sustainable given that the risks are mitigated by i) steady and significant declines in the relevant ratios going forward, and ii) availability of financing from CEMAC regional financial markets.

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

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

PUBLIC DEBT COVERAGE

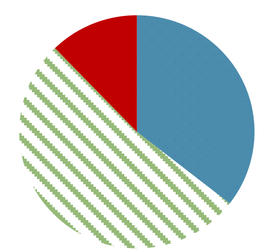
1. **The coverage of public debt in this DSA is limited to central government debt and oil-backed debt contracted by the national oil company (SNPC), the largest state-owned enterprise.** State and local governments in Congo are not allowed to borrow and depend on local taxes and transfers from the central government. Debt from oil-backed pre-financing arrangements contracted with oil traders through SNPC and guaranteed by the central government is included in the analysis. The debt of other state-owned enterprises (SOEs) and non-guaranteed debt of SNPC are included as contingent liabilities[3]. Efforts are underway to compile information on SOEs with a view to expanding the DSA coverage to general government debt, which would include the majority of SOEs. This will require detailed data on revenues, spending, debt, and debt service of these SOEs. Supported by the Extended Credit Facility Arrangement (ECF) arrangement and the FY 2022 performance and policy actions (PPA) under the World Bank's Sustainable Development Finance Policy (SDFP), the authorities are making on-going efforts to address the limited coverage on SOE debt and financial performance. Ministerial orders have been issued instructing the 10 largest SOEs to regularly share data on all their debt with the central government (a first round of this unaudited information has been published). As a next step, the ECF arrangement includes a March 2023 structural benchmark where the government intends to publish a comprehensive annual debt report that will include detailed information on the guaranteed and unguaranteed debt of the 10 largest SOEs. Efforts are underway, supported by IMF and WB technical assistance, to centralize SOE debt

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

information in a single debt database managed by the Congolese debt office and to include this information in all annual debt reports. A comprehensive debt management strategy was recently established as part of the conditionality under the ECF. In terms of the social security system, there are two entities: (i) a more autonomous CNSS that collects contributions to pay retirees from both the private sector and public enterprises; and (ii) the Caisse de Retraite des Fonctionnaires (CRF) for public administration employees. Both are under the wardship of the Ministry of Labor. Domestic debt includes social arrears related to unpaid pensions. In 2022, CNSS related arrears were repaid in full, while for CRF, CFAF 44 billion were paid out of an outstanding debt of CFAF 107 billion.

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

Subscription of Congolese Treasury Securities



3. Contingent liabilities are elevated and pose a risk. The contingent liability stress test of 26 percent of GDP is customized to account for vulnerabilities associated with legally disputed claims of domestic arrears, arrears under audit, non-guaranteed SOE debt, and litigated debt (Text Table 1). Non-guaranteed debt of the 10 largest SOEs is estimated at 31 percent of GDP [4, 5], and under the stress test, it is assumed that one third of this amount could end up on the central government balance sheet (10 percent of GDP), while the rest can be paid through the liquidation of SOE assets. In addition, Congo's total PPP capital stock is estimated at 6 percent of GDP, with 35 percent of this stock assumed to end up on the government balance sheet under the stress test. To account for a financial sector crisis, the default value of 5 percent is applied to the government balance sheet given the limited size of the banking system. Debt vulnerabilities are also affected by claims of domestic arrears that were rejected by an audit but are being legally contested (about 6 percent of GDP), arrears under audit not included in the forecasts assumptions (2 percent of GDP), an external arrears claim of 2 percent of GDP which is currently being litigated (and not included in

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

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

the debt stock), and other elements of government debt (adding up to 9 percent of GDP).[6] The contingent liability test is also calibrated to account for these potential risks to the public sector balance sheet.

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

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

1	The country's coverage of public debt	The central government plus social security, central bank, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	9.05	Litigated debt; contested domestic debt under audit; rejected domestic arrears
	of which: litigated debt		2.05	
	of which: contested domestic claim under audit		5.5	
	of which: rejected domestic arrears		1.5	
	of which: domestic arrears to residents swapped for forex debt		0	
3	SoE's debt (guaranteed and not guaranteed by the government) [2]	2 percent of GDP	10	SOE's debt not guaranteed by the government
4	PPP	35 percent of PPP stock	2.00	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)		26.0	

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

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

BACKGROUND

A. Evolution and Composition of Public Debt

4. Public debt in the Republic of Congo is expected to decline from 108 percent of GDP at end-2021 to 99 percent of GDP at end-2022.[7] The decline in the debt-to-GDP ratio primarily reflects the authorities' efforts to remain current on scheduled debt service payments—where debt service to the two largest external commercial creditors is tied to oil prices and sizeable when oil prices are high. The conditionality under the ECF arrangement helps limit new external financing and Congo has not accumulated any new arrears since the start of the ECF arrangement. Compared to the last published DSA, the overall debt-to-GDP ratio in 2022 has been revised up by 16 percentage

[6] 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).

[7] Due to the method of debt calculations within the DSA template, debt in percent of GDP in the DSA differs from the Staff Report which calculates the ratio through direct application of data reported by the authorities.

points, mostly driven by the impact of historical GDP revisions on nominal GDP projections, with additional contributions from new social debt and revised projections of domestic borrowing and assumed acceptance rates of unaudited arrears.

- External debt decreased from 65 percent of GDP at end-2020 to 62 percent of GDP at end-2021. The external debt to GDP ratio was revised upwards relative to IMF Country Report No. 22/226 due to a revision of historical GDP statistics, in line with continued improvements in compilation of statistics, supported by technical assistance from the IMF and other development partners.

- A large share of external debt is owed to China and Chinese companies (19¼ percent of GDP) and oil traders (9¾ percent of GDP, see Tables 1a and 1b). Under the Fund-supported ECF arrangement and World Bank PPA under the SDPF, the contracting of new external debt is restricted to be on concessional terms.

- The authorities are committed to service the debt rescheduled under DSSI, where debt service payments under phase 1 began in mid-2022. Debt service for all phases of the DSSI will continue through end-2027.

- Agreements with Abu Dhabi and Libya have been concluded on treatment of pre-HIPC arrears, including substantial haircuts; and agreements in principle have been reached on arrears to Brazil and pre-HIPC arrears to Russia. The authorities are in the process of resolving arrears to India's Exim Bank ($23 million). Agreements have been concluded on commercial arrears in foreign and local currency ($140 million and CFAF 450 billion, respectively) with two Chinese commercial creditors. Discussions towards the resolution of arrears with a third Chinese commercial creditor ($25 million) are underway.

- The authorities cleared arrears to one commercial supplier in 2022 and are engaged in discussions to resolve arrears owed to the remaining 9 commercial suppliers ($17 million).

- The authorities contest $245 million of pre-HIPC arrears owed to a supplier as part of a broader litigation case.[8] The authorities have requested HIPC treatment for another $203 million of pre-HIPC arrears, which are included at face value in the DSA.

- Domestic public debt decreased slightly from 47 percent of GDP at end-2020 to 46 percent of GDP at end-2021. The perimeter of domestic debt includes government borrowing from commercial banks and non-bank commercial institutions (more than half of government borrowing, mainly in the form of bond issuances), commercial arrears (one fifth of government borrowing), social debt (one tenth of government borrowing, including social arrears), and the rest statutory advances from BEAC (the regional central bank).[9]

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

[9] As audits of 2019–20 government financials will be finalized in early 2023, the 2022 debt stock included an estimated 10 percent of GDP to account for partially audited and not yet audited domestic arrears.

5. This debt sustainability analysis incorporates the impact of three restructuring agreements concluded with external private commercial creditors (oil traders). The restructuring agreement with the smallest of these three creditors was signed in 2020Q3 and included a substantial nominal haircut on the stock of outstanding debt, a maturity extension, and resolution of $61 million in external arrears. This debt was fully repaid by early-2022. The restructuring agreement with the largest creditor was signed in 2021Q1 and that with the remaining large creditor was signed in 2022Q1—both of these agreements include debt service formulated as a function of oil prices, a nominal haircut, a maturity extension, and an interest rate reduction.

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

January 1, 2022–June 30, 2023

PPG external debt	Volume of new debt, Jan 1, 2022 to June 30, 2023		
	USD million	CFAF Billion	Percent
By sources of debt financing	**522.7**	**329.4**	**100**
Concessional debt, of which	**461.2**	**290.7**	**88**
Multilateral debt	327.3	206.3	63
Bilateral debt	133.8	84.4	26
Other	0.0	0.0	0
Non-concessional debt, of which	**61.5**	**38.8**	**12**
Semi-concessional	61.5	38.8	12
Commercial terms	0.0	0.0	0
By Creditor Type	**522.7**	**329.4**	**100**
Multilateral	327.3	206.3	62
Bilateral - Paris Club	106.1	66.9	21
Bilateral - Non-Paris Club	89.2	56.2	17
Other	0.0	0.0	0
Uses of debt financing	**522.7**	**329.4**	**100**
Infrastructure	267.7	168.7	51
Social Spending	0.0	0.0	0
Budget Financing	255.0	160.7	49
Other	0.0	0.0	0.0

Text Table 2b. Republic of Congo: Type of New External Debt
(Millions of USD)

January 1, 2022–June 30, 2023

	USD Million	CFAF Billion
By the type of interest rate		
Fixed Interest Rate	461.2	290.7
Variable Interest Rate	61.5	38.8
Unconventional Loans	0.0	0.0
By currency		
USD denominated loans	461.2	290.7
Loans denominated in other currency	61.5	38.8

Note: All loans are on contracting basis.

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

7. Weaknesses in public debt management and reporting remain. While the authorities published the terms of the 2019 debt restructuring agreement with China, operationalization of the agreement implied lower short-term liquidity relief than initially assessed. Moreover, the authorities continued accumulating excess deposits in the escrow account in China during 2020—though these were eliminated in 2021. Significant data revisions have resulted in upward revisions to the 2021 external debt stock. Moreover, the breaches of the zero ceiling on contracting new non-concessional external debt and the consultation clause under the program on signing of new external debt arrangements (as defined in the Technical Memorandum of Understanding) have exposed serious debt management and capacity challenges. For domestic debt, limited capacity, delays in information sharing and weak communication between relevant entities that collect debt information, and continued audit of arrears complicates debt reporting and management.
The authorities are committed to resolving these issues with support from on-going IMF and World Bank technical assistance in the areas of debt management and reporting. Debt indicators, such as the public debt-to-GDP ratio, are also impacted by statistical revisions to GDP. Recent revisions

reduced nominal GDP resulting in an increase of historical and projected values of the public debt-to-GDP ratio (¶8).

Text Table 3. Republic of Congo: External Arrears Situation

	February 2022 stock			August 2022 stock			August 2022 (Excl. unrestructured pre-HIPC arrears)[1]		
	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total	**379**	**648**	**4.8**	**337**	**514**	**4.3**	**43**	**65**	**0.5**
Multilateral and other creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	88.9	151.8	1.1	92.2	140.6	1.2	15.0	22.8	0.2
Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Paris Club	88.9	151.8	1.1	92.2	140.6	1.2	15.0	22.8	0.2
United Arab Emirates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Angola	66.4	113.4	0.8	74.1	113.0	0.9	0.0	0.0	0.0
China	1.2	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India Exim Bank	18.2	31.0	0.2	15.0	22.8	0.2	15.0	22.8	0.2
Kuwait	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Arabia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postal debt	3.1	5.4	0.0	3.1	4.8	0.0	0.0	0.0	0.0
Private Creditors	290	495.8	3.7	245	373.2	3.1	28.0	42.6	0.4
CMEC and Chinese companies	62	106.2	0.8	17	25.2	0.2	16.5	25.2	0.2
Eurobond	0	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0
Afreximbank	0	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0
Oil traders	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Suppliers[1]	228	390	2.9	228	348	2.9	11.4	17.4	0.1

Source: Congolese authorities and IMF staff estimates.

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

B. Macroeconomic Outlook

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

- Overall real GDP growth is projected at 2.8 percent for 2022, reflecting 3.3 percent non-oil growth and a 0.5 percent rebound of oil sector growth after an 11 percent contraction in 2021. In 2023, the overall real GDP growth is projected at 4.1 percent, on the back of non-oil GDP growth of 4 percent and oil GDP growth of 4.4 percent. Growth is expected to peak at 4.6 percent of GDP in 2024, primarily on the back of increased oil production. Over the long term, growth will average around 4.2 percent driven by strengthened non-oil growth as economic diversification gradually progresses, supported by the authorities' structural reform agenda as elaborated in the National Development Plan, the World Bank Development Policy Financing (DPF) program, and the IMF ECF arrangement.[10] Concurrently, oil production levels will decline with the depletion of oil reserves.

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

- The fiscal stance was loosened in 2022, due to a new subsidy for fuel imports and distribution. The non-oil primary deficit is expected to widen from 14.2 percent of non-oil GDP in 2021 to 15.7 percent of non-oil GDP in 2022. Owing to strong oil revenues, the overall balance is expected to improve from 1.8 percent of GDP in 2021 to 6.9 percent of GDP in 2022. Over the medium term, the authorities are expected to continue implementing fiscal adjustment to restore long-term fiscal sustainability and support building of regional international reserves.

- Budget support was provided by France 2022H1 (EUR 30 million) and is expected from the World Bank at end-2022 ($50 million, 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.

- In line with continued improvements in the compilation of statistics, supported by technical assistance from the IMF and other development partners, historical GDP and balance of payments statistics have been revised.[11] As a result, nominal GDP is lower than in CR 22/226 and all ratios in percent of GDP are higher. This effect explains over 11 percentage points of the 2022 increase in the debt-to-GDP ratio. The other 5 percentage point increase of this ratio in 2022 is due to new social debt and revised projections of domestic borrowing and acceptance rates of unaudited arrears.

- The DSA assumes that Congo continues to obtain the bulk of new external financing on concessional terms in the near and medium terms; the grant element remains around 35 percent over 2027–42.[12]

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

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Total External Bilateral and Multilateral	**510**	**643**	**587**	**297**	**277**	**209**	**219**	**218**	**209**	**185**	**185**
Project Financing	**254**	**290**	**302**	**297**	**277**	**209**	**219**	**218**	**209**	**185**	**185**
Of which:											
Multilateral and other creditors	254	262	186	180	204	120	129	129	120	96	96
IMF	0	0	0	0	0	0	0	0	0	0	0
IDA	61	85	98	105	113	54	62	69	58	53	53
IBRD	64	52	73	73	87	59	59	49	49	29	29
AfDB	0	0	0	0	0	0	0	0	0	0	0
Others	129	125	16	2	4	6	8	10	13	15	15
Official bilateral	0	29	116	117	73	89	89	89	89	89	89
Paris Club	0	29	28	28	0	0	0	0	0	0	0
France	0	29	28	28	0	0	0	0	0	0	0
Non-Paris Club	0	0	88	88	73	89	89	89	89	89	89
China	0	0	88	88	73	89	89	89	89	89	89
General Budget Financing	**256**	**353**	**285**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
IMF	174	172	87	0	0	0	0	0	0	0	0
Other Development Partners	82	180	198	0	0	0	0	0	0	0	0

Sources: IMF and WB staff calculations and projections.

[11] The sectoral weights of the nominal GDP statistics for 2019–21 have been revised, raising the weight of non-oil GDP sectors (e.g., services, manufacturing) and reducing the weight of the oil sector.

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

Box 1. Main Macroeconomic Assumptions

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

  Key risks to the outlook include (i) intensification of spillovers from the war in Ukraine that could adversely impact investment, exports, imports, remittances, and inflation (ii) lower oil prices and production amid the rapidly evolving global transition to low-carbon economies (iii) adverse weather conditions weighing on agricultural production and (iv) investment could slow with further interest rate hikes and tightening external financing conditions. In the near-term, downside risks are elevated given uncertainties related to the ripple effects of the war in Ukraine, the pandemic, low vaccination rates, and oil prices and production. Medium-term risks are largely mitigated as governance reforms and the implementation of efforts to diversify and build resilience to climate change are expected to support development of the non-oil sector, which will create jobs and raise incomes.

- **Oil production and prices** (applying October 2022 WEO projections): Oil production in 2021 remained subdued due to an unanticipated slowdown in production owing to the negative impact of the pandemic on oil production-related investments in 2020 that were necessary to maintain or increase production relative to 2020. Accordingly, oil production in 2021[1] was substantially less than that in 2020 but is expected to gradually recover with a normalization of investment, resulting in higher production starting in 2022 and reaching levels close to those observed in 2020 in 2024. Production is projected to peak at 112 million barrels by 2024 (comparable to pre-pandemic levels) with new fields coming online and then to steadily decline to about 55 million barrels in 2041, barring new oil discoveries. There are large downside risks to oil prices. More broadly, high volatility of international oil prices and production uncertainties, including those related to the war in Ukraine, 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.

Box 1. Main Macroeconomic Assumptions (continued)

- **Inflation:** Inflation is projected to average 3.5 percent (y/y) in 2022 due to the war in Ukraine raising global prices for cereals, fertilizers, and fuel on food and fuel imports, transit costs for all imports, and prices of import substitutes. Headline and food inflation averaged 2.9 and 6.3 percent in January-August 2022. The impact of higher commodity prices on overall domestic prices could remain limited during the remainder of the year since staple food and retail fuel prices will continue to be regulated. Inflation is expected to decline to 3 percent by 2026 and remain close to 3 percent over the long term, consistent with the CEMAC's convergence criteria (a 3 percent ceiling).

- **Current account balance:** A current account surplus of 21.6 percent of GDP is anticipated for 2022, significantly higher than the current account balance of 14.5 percent of GDP in 2021. The surplus is primarily linked to high global oil prices in 2022. The current account is projected to remain in surplus over 2021–29 given high oil prices, oil production increases, and a gradual recovery in the non-oil sector. After that, with the projected decline in oil production, the current account is expected to shift to a deficit. The current account deficit is projected to average 8 percent of GDP over 2030–42, reflecting a long-term decline in oil production. Continued investment efforts as part of the diversification strategy will keep imports elevated, only partly offset by increased exports. As elaborated above, economic diversification will continue to support projected GDP growth.

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

  To restore fiscal sustainability, the fiscal loosening in 2022 driven by a significant rise in oil-related transfers (including a new subsidy to SNPC for fuel imports introduced in the July revised 2022 budget) will be more than compensated during 2023-27. Consequently, after expanding by 1.4 percent of non-oil GDP in 2022, the non-oil primary balance is projected to adjust 6.9 percent of non-oil GDP during 2023-27. This adjustment is underpinned by measures supported by the ECF arrangement, World Bank DPF series, and technical assistance from the IMF, World Bank, and other development partners—including measures to improve tax compliance and collection of tax arrears, broadening the tax base (making compulsory the use of the Unique Identification Number (NIU), applying a medium-term strategy to streamline exemptions including in VAT), customs reforms, raising excise duties in line with CEMAC guidelines, continued implementation of energy SOE reforms to reduce transfers and improve SOE transparency (see IMF Country Report No. 22/49 for details) and collect more dividends from SOEs, and deregulation of retail fuel prices (complemented by expanded social assistance to protect the vulnerable). The concerted efforts the government is already making to take these measures forward, in addition to the recently completed debt restructuring, and efforts to settle remaining arrears and timely payments of all remaining debt demonstrates strong ownership towards budget and debt reforms and the ECF arrangement.

Box 1. Main Macroeconomic Assumptions (concluded)

The projected primary balance surpluses are supported by the gradual adjustment in the non-oil primary balance but are mainly driven by substantial oil revenue windfall gains with prevailing high oil prices—where the large portions of the oil windfalls are saved as deposits in BEAC to support regional reserves accumulation. Downside risks to oil prices, their impact on the primary balance, and in turn on the DSA, are substantially mitigated by debt service to the largest external commercial creditors being tied to oil prices and access to Congo's financial market.

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

- **Domestic arrears payments:** The authorities' medium-term fiscal strategy prioritizes domestic arrears repayments—critical for economic and political confidence—while safeguarding social and domestically-financed capital spending and reflecting commitments to enhance debt sustainability. The authorities are developing a new domestic arrears repayments scheme which will begin in 2023. Should revenues fall short, domestic arrears repayments will be slowed. Clearance of domestic arrears is also helping alleviate macro-financial risks by reducing liquidity pressures and NPLs.

- **Loan disbursements:** The authorities' reforms agenda, supported by the ECF arrangement, will catalyze concessional budget financing, which will help reduce debt vulnerabilities while supporting critical public investment to support economic diversification efforts as well as social spending to protect the most vulnerable—all of which will facilitate higher, more inclusive, resilient, and sustainable growth (Text Table 4).

[1] GDP increased by 1.5 percent in 2021, with 3.6 percent growth in the non-oil sector and 11 percent decline in the oil production in 2021.

9. **Realism tools flag risks around the forecast, but there are mitigating factors.** The fiscal adjustment-growth realism tool suggests that the projected overall real GDP growth path could be lower but staff assesses the projected growth and the fiscal path to be realistic. This is because overall real GDP growth is composed of two separate parts: oil and non-oil growth, where the impact of oil growth on overall real GDP dominates given the country's oil dependence. Notably, only non-oil growth is impacted by fiscal adjustment policies and the path of non-oil growth is consistent with the realism tool. Concurrently, oil growth is driven by oil production, which is independent of fiscal adjustment policies. Risks, including from negative oil price shocks, are largely mitigated by repayments to the largest external commercial creditor being tied to oil prices, a gradual increase of government deposits at BEAC, and the availability of financing from Congolese financial markets—where banks have high liquidity, as corroborated by the high liquidity ratios for the domestic banks. The DSA also incorporates interest rates for domestic financing consistent with

the historical trends and current market conditions. Further, in the long term, with structural and governance reforms and after exiting fragility, access to international capital markets can be a source of financing. Moreover, over the medium and long term, economic diversification efforts are supporting economic activity. Improvements in the primary surplus (owing to oil revenues in the near- and medium-terms and sustained consolidation efforts) is the main driver in reducing debt, with real GDP growth also contributing marginally (Figure 3). The realism tools show a history of large unexplained increases for external debt due to revisions to debt stock and debt service statistics.

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

	Average 2012-2021	2022	2023	2024	2030	2038
New Loan Disbursements (billions FCFA)						
Current DSA		316.4	411.7	374.5	130.9	115.9
1st Review	…	292	259	255	111.3	103.7
Grant Element of New External Borrowing (in percentage points)						
Current DSA		27.9	30.4	34.3	35.6	37.6
1st Review	…	30	28	33	38.1	29.3
Primary balance (percent of GDP)						
Current DSA		9.5	9.0	9.0	12.5	0.5
1st Review	-2.1	10	8	7	9.1	0.1
Real GDP growth (percent)						
Current DSA		2.8	4.1	4.6	4.2	3.9
1st Review	-1.7	4	5	7	3.8	3.2
Current Account Balance (percent of the GDP)						
Current DSA		21.6	8.5	3.1	-1.4	-12.2
1st Review	-0.1	17	8	5	-2.6	-5.0
Congolese Oil prices (US dollars per barrel)						
Current DSA		96.4	84.4	78.8	75.9	89.3
1st Review	69.2	96	85	78	77.5	91.2
Brent Oil prices (US dollars per barrel)						
Current DSA		100.5	88.6	83.4	79.2	92.8
1st Review	101.1	110.8	96.1	87.2	79.5	93.2

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

C. Country Classification and Determination of Stress Test Scenarios

10. The composite index (CI) is assessed at 2.2 and is based on the October 2022 World Economic Outlook (WEO) and 2021 World Bank Country Policy and Institutional Assessment (CPIA) data, indicating a weak debt carrying capacity for Congo. The methodology relies on computing a composite indicator (CI) based on information from the CPIA score, external conditions as captured by world economic growth, and country-specific factors, including import coverage of reserves. The Republic of Congo's low CI score indicates a weak debt carrying capacity, reflecting mainly a low CPIA score and a low level of foreign reserves (Text Table 6). The CI score is similar to that in the previous DSA, which is based on the April 2022 WEO data, and the debt carrying capacity is unchanged compared to the previous (first review of the ECF arrangement) DSA.

Text Table 6. Republic of Congo: Composite Indicator Score

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.714	1.04	47%
Real growth rate (in percent)	2.719	0.155	0.00	0%
Import coverage of reserves (in percent)	4.052	25.972	1.05	47%
Import coverage of reserves^2 (in percent)	-3.990	6.745	-0.27	-12%
Remittances (in percent)	2.022	0.000	0.00	0%
World economic growth (in percent)	13.520	2.898	0.39	18%
CI Score			2.224	100%
CI rating			Weak	

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.22	Weak 2.30	Weak 2.31

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

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

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

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

DEBT SUSTAINABILITY ANALYSIS

A. External Debt Sustainability Analysis

12. Under the baseline, breaches of three external debt indicators vis-à-vis Congo's indicative thresholds are contained within 4 years (Figure 1). Under the current terms on the already restructured debt, all threshold breaches will be eliminated by 2026 under the baseline scenario. The PV of external debt-to-GDP ratio is 43 percent at end-2022 and is projected to decline to just under 30 percent in 2026, below the threshold. The debt service-to-revenues ratio, at 37 percent in 2022 is projected to decline to 13 percent in 2026 (below the 14 percent threshold), when most of the external commercial debt will have been repaid. In addition, the debt service-to-exports ratio is currently above its indicative threshold of 10 percent but is projected to decline to 8 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 34 percent over 2027–32.

13. All indicators of external public debt breach their indicative thresholds in stress test scenarios (Figure 1). Standard shock scenarios examine the implications of various shocks to the debt and debt-service paths based on the historical volatility of the country's economic indicators, resulting in sharp increases in the debt burden and liquidity indicators in all cases. The exports shock stress test is the most extreme for all indicators, reflecting the Republic of Congo's high dependence on oil exports and high volatility of oil exports. A decline in exports to a level equivalent to one standard deviation below their historical average in the second and third years of the projection period would cause the PV of debt-to-exports ratio to rise and remain elevated over the medium term, while the PV of debt-to-GDP would peak at 168 percent. While this shock is intended to simulate the impact of reduced oil export receipts (oil is 80 percent of exports) that could arise from a decline in oil prices, it does not account for debt service to the largest external commercial creditors being tied to oil prices (i.e., debt service in a given year declines with reduced oil prices). The market financing risk module indicates a moderate risk of heightened liquidity pressures. However, a heightened market stress event would not have a substantial impact on debt burden indicators (Figure 5), as Congo does not plan to issue market debt, and instead rely on concessional financing in the medium term to rein in debt vulnerabilities.[13]

14. Reflecting unresolved external arrears of $65 million to a Chinese commercial creditor, India's Exim Bank, and nine commercial suppliers, the external and overall debt is still assessed to be in-distress but sustainable. The DSSI treatment of all pre-HIPC arrears for which Congo requested treatment has already been received and authorities are committed to repay the DSSI rescheduled debt service as per schedule. The clearance of remaining external arrears would be required to end the ongoing episode of debt distress. As all the debt ratios fall below the debt thresholds within 5 years, debt is assessed to be sustainable.

B. Public Debt Sustainability Analysis

15. An analysis of the Republic of Congo's overall public debt highlights heightened overall debt vulnerabilities (Figure 2). The projected evolution of debt burden indicators suggests heightened vulnerabilities arising from public debt. Under the baseline scenario, the present value of public and publicly guaranteed debt-to-GDP (including domestic arrears and past direct financing from BEAC prior to initiation of the ECF arrangement) remains significantly above the 35 percent benchmark level associated with heightened vulnerabilities for countries with a weak debt carrying capacity until 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, ii) the availability of financing from Congolese financial markets, where banks have high liquidity ratios, and (iii) the availability of financing from CEMAC regional markets for smaller countries such as Congo, despite recent monetary policy tightening. This assessment of debt vulnerabilities is further supported by stress-tests; the growth shock stress test is the most extreme for public debt burden indicators, highlighting downside risk related to an inability to clear arrears if growth remains subdued. The shock also overestimates the impact on public debt as 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[14] and low growth rates.

[13] EMBIG data for the Republic of Congo is not available. The bond, due to mature in 2029, was trading with a yield to maturity of 11.12 percent and a spread of 680 bps over the 7-year US treasury bond as on November 8, 2022 (Source: Data Stream, https://www.federalreserve.gov/releases/h15/).

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

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

(Percent of GDP, unless otherwise indicated)

	2022	2023	2024	2027	2032
			PV of Debt-to-GDP Ratio		
Current DSA	42.6	38.9	34.8	26.8	16.3
1st Review	39.9	35.2	30.5	24.5	15.5
			PV of Debt-to-Exports Ratio		
Current DSA	47.2	47.0	44.3	41.3	30.0
2022 ECF 1st Review	50.7	48.2	42.9	41.5	30.3
			Debt Service-to-Exports Ratio		
Current DSA	12.7	10.5	8.3	4.3	3.4
2022 ECF 1st Review	13.5	10.8	8.5	4.6	3.2
			Debt Service-to-Revenue Ratio		
Current DSA	37.1	29.1	22.2	10.2	7.1
2022 ECF 1st Review	38.8	29.5	22.6	10.6	6.5

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

RISK RATING AND VULNERABILITIES

16. The overall and external debt of the Republic of Congo are assessed to be sustainable but debt is currently "in distress". The assessment of debt distress is a result of the ongoing negotiations on resolution of arrears with a Chinese commercial creditor, India's Exim Bank, 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 projected to be resolved by 2026 and the present value of external debt-to-GDP indicator is projected to fall below the threshold by 2026. These, combined with no new accumulation of domestic and external arrears, result in the overall and external debt being sustainable.

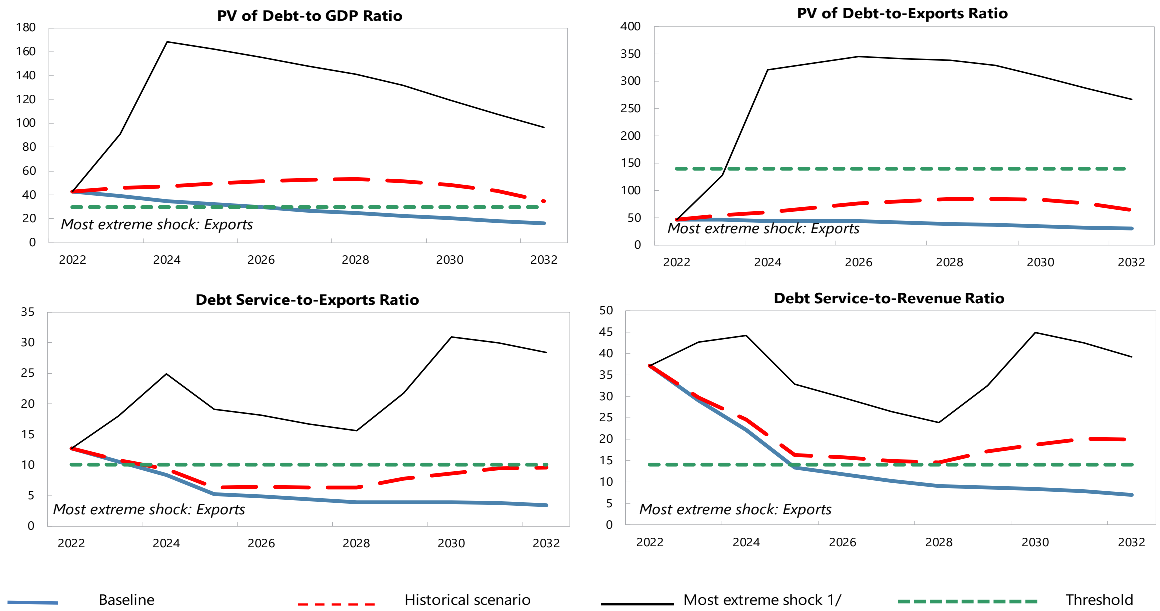
17. Risks of overall and external debt distress remain high given liquidity risks and vulnerability to negative oil price shocks. Liquidity risks, associated with an elevated public debt-to-GDP ratio (exceeding the threshold through 2030) and a large external debt service-to-revenue ratio (the indicator exceeds the threshold through 2023), are mitigated by the steady and significant declines in these ratios going forward, the availability of financing from Congolese financial markets, and diversification efforts that will bear dividends in the form of non-oil exports and higher contribution of non-oil sectors towards GDP growth. Going forward, the authorities are encouraged to continue pursuing fiscal consolidation, enact policies for diversification to reduce risks and prepare for reduced long-term oil production and demand, clear arrears, and enhance debt management. Nevertheless, the Debt Sustainability Assessment also remains vulnerable to oil price shocks and to food crisis following the war in Ukraine. A lower oil price could obstruct the authorities' structural reforms and diversification efforts, whereas high food prices could prompt more social spending and spending on subsidies for food, jeopardizing the authorities plans of fiscal consolidation. Food inflation is expected to significantly outpace overall inflation in 2022 (food inflation reached 6 percent (y-o-y) in October 2022). Opposition to reforms (including due to social discontent) could slow fiscal consolidation and payment of domestic arrears, weighing on banks' ability to lend to the private sector and subsequently economic growth prospects. Unfavorable oil production outcomes poses a significant downside risk to the DSA assessment, that could materialize if foreign direct investments fall below the required levels and could also materialize with an unfavorable response from the oil companies on authorities' efforts for tax reforms in the oil sector.[15] Finally, further downward revisions to GDP statistics (¶8) could raise debt-to-GDP ratios again.

AUTHORITIES' VIEWS

18. The authorities concurred with staff's assessment that Congo is in debt distress and that debt is sustainable owing to favorable oil prices and the authorities' reform and debt restructuring efforts. The authorities reiterated their commitment to remain current on all debt service obligations, while continuing efforts to improve debt management capacity, including planning and statistics. They have already prepared a comprehensive medium-term debt management strategy and published debt statistics of the 10 largest SOEs. As a next step, and as part of ECF arrangement's structural conditionality, the government intends to publish a comprehensive annual debt report that will include detailed information on the guaranteed and nonguaranteed debt of the 10 largest SOEs.

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

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



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

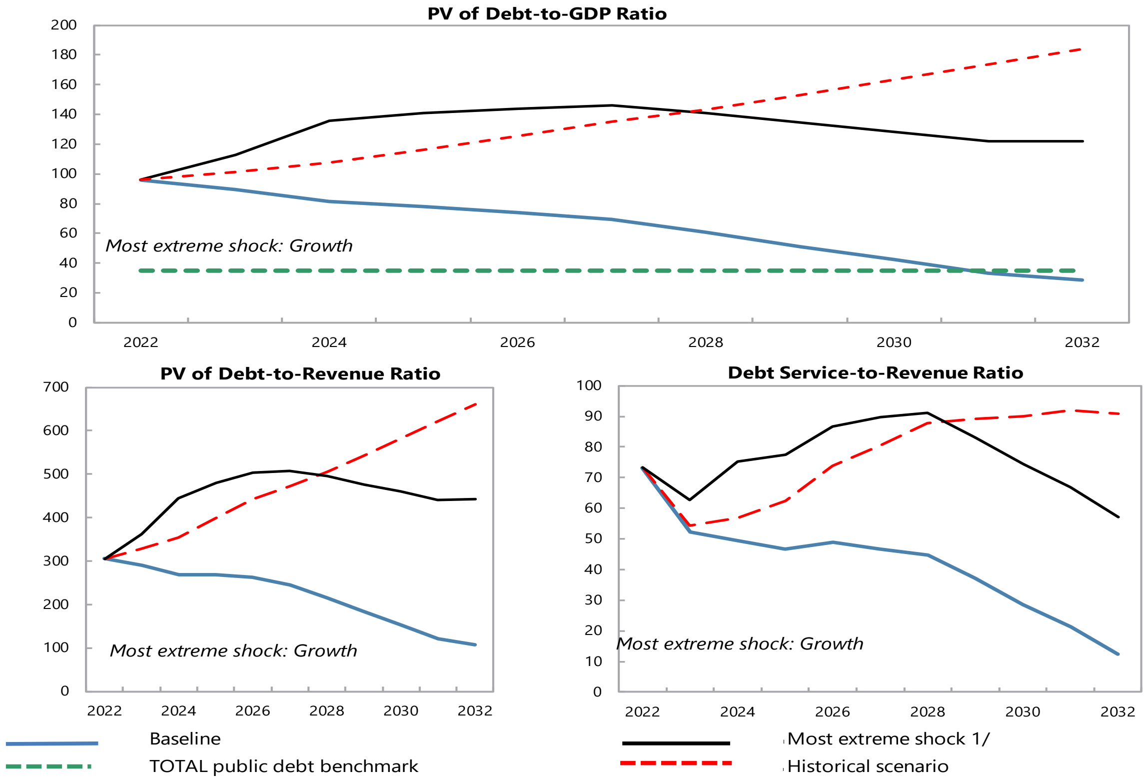
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.6%	1.6%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	5	5

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

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

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

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



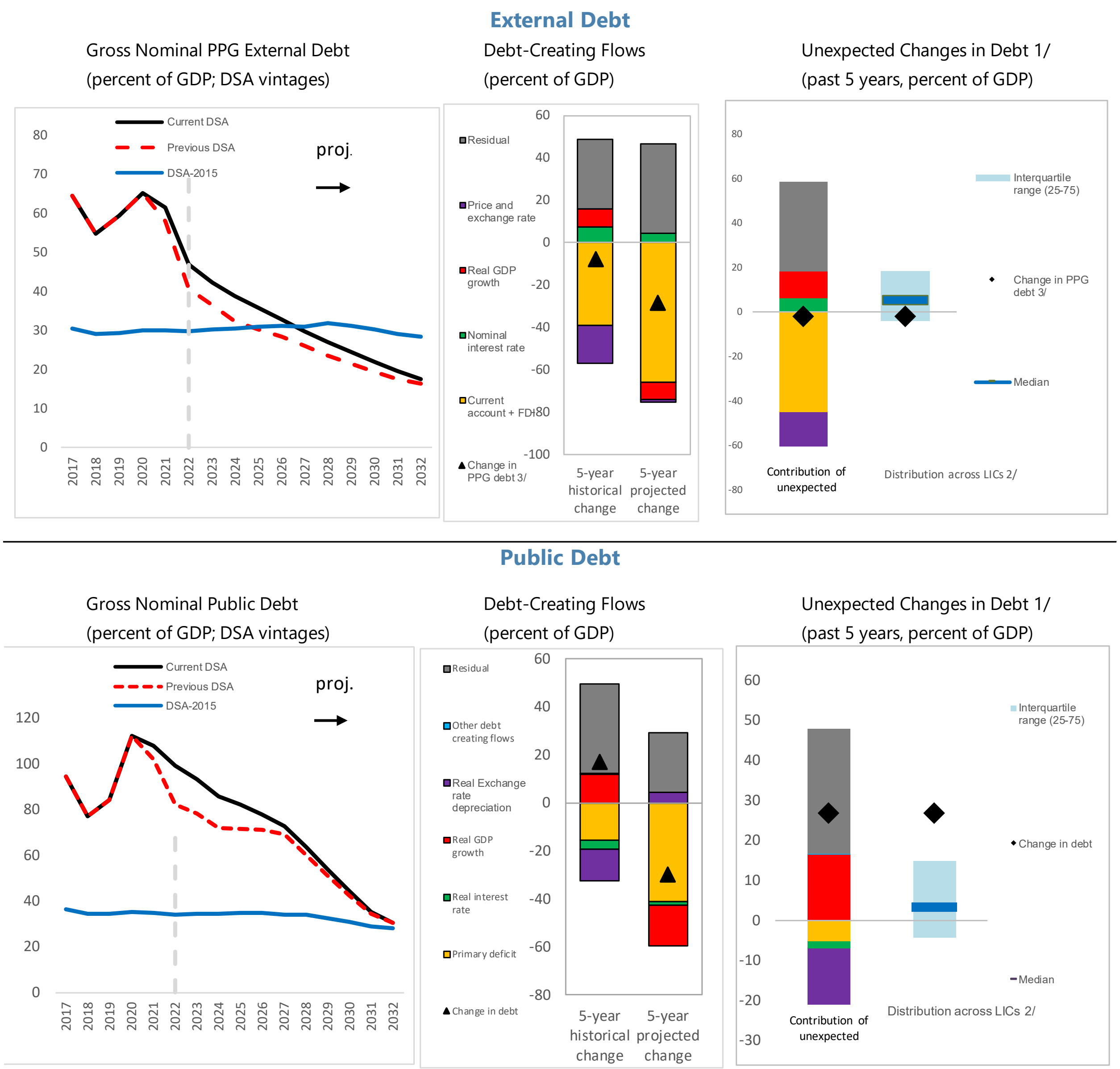
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	59%	59%
Domestic medium and long-term	38%	38%
Domestic short-term	3%	3%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest 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	3.2%	3.2%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	3.2%	3.2%

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

Sources: Country authorities; and staff estimates and projections.

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

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



Sources: Congolese authorities and IMF staff projections.

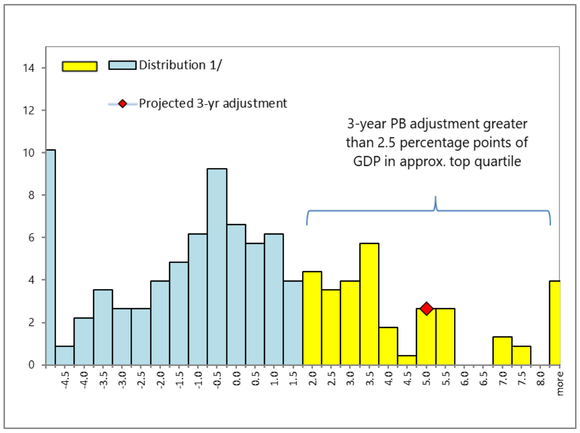
1/ Difference between anticipated and actual contributions on debt ratios.

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

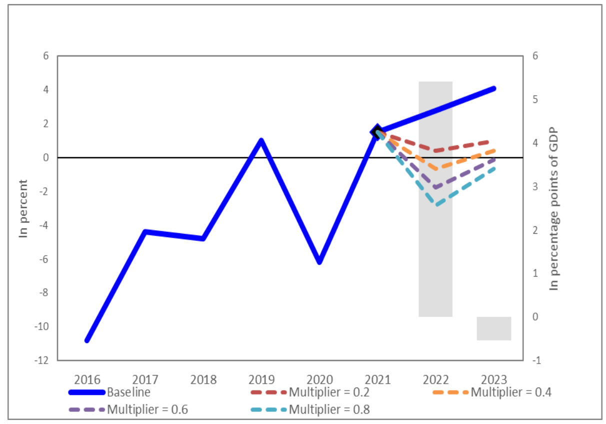
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Republic of Congo: Realism Tools

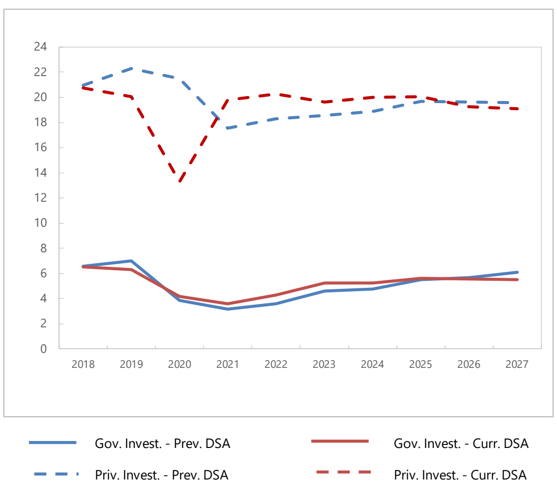
Three-Year Adjustment in Primary Balance 1/
(Percentage points of GDP)



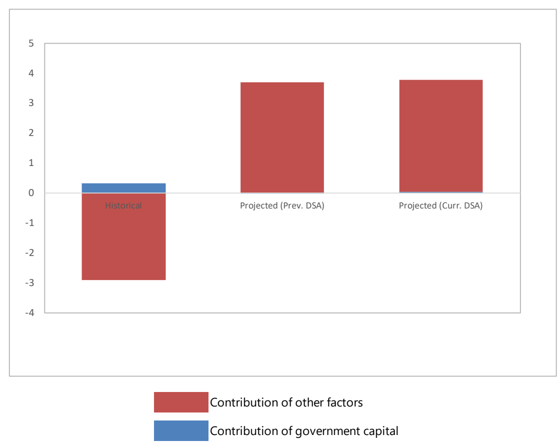
Fiscal Adjustment and Possible Growth Path 2/



Public and Private Investment Rates 3/
(Percent of GDP)



Contribution to Real GDP Growth
(Percent, 5-year average)



Sources: Congolese authorities and IMF staff estimates.

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

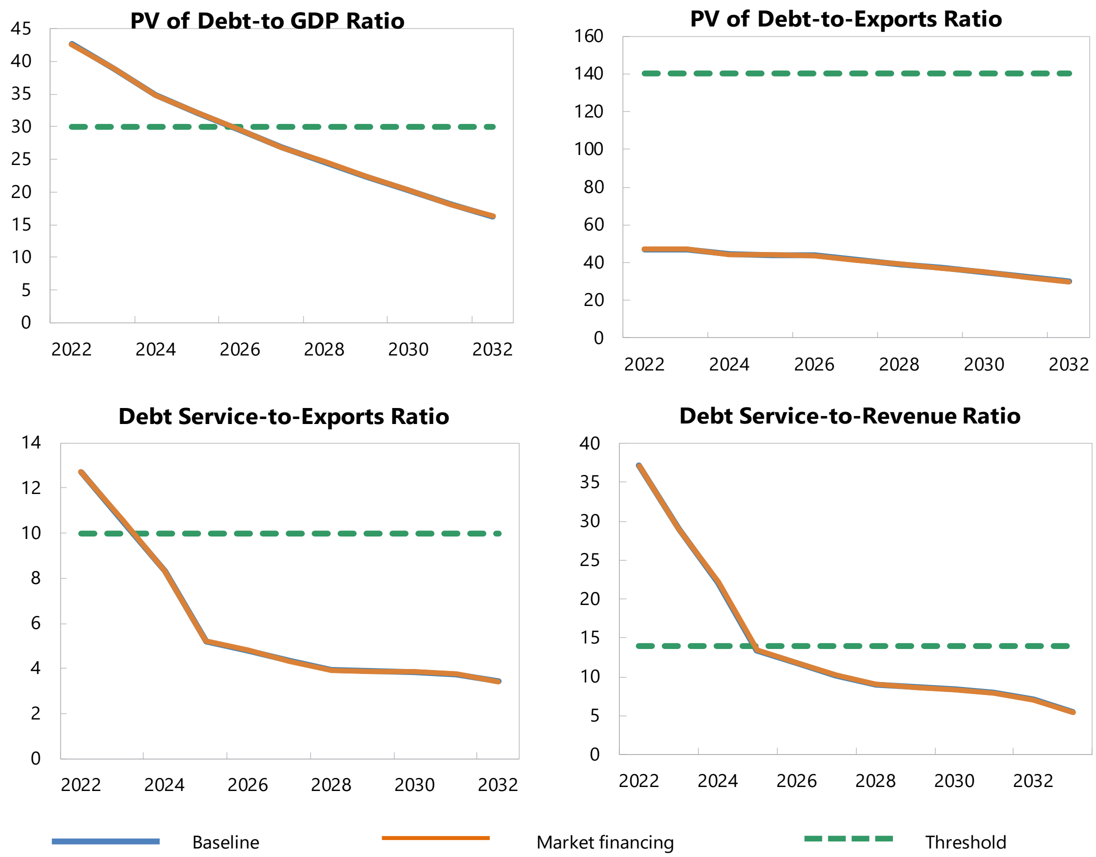
2/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

3/ The changes in investment reflect a change in the methodology for computing the price index used to convert 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	14	n.a.
Breach of benchmark	No	n.a.
Potential heightened liquidity needs	Moderate	

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



Sources: Country authorities; and staff estimates and projections.

EMBIG data for the Republic of Congo is not available. The bond, due to mature in 2029, was trading at a discount of 14 percent over par with a yield to maturity of 11.12 percent and a spread of 680 bps over 7-year US treasury bond as on November 8, 2022. The elevated spread, though available and reported, does not represent the true picture. The high spreads reflect the fact that a payment that was made on time in 2018 was seized by one of its creditors as part of a series of legal disputes between Congo and a private company. The illiquid nature of the bond suppresses any subsequent price signaling. Congo has been regularly servicing the outstanding bond since 2018. (Sources: Data Stream, https://www.federalreserve.gov/releases/h15/)

Table 1a. Republic of Congo: Gross Public Debt by Creditor, 2021–22

	Dec 30, 2021			Aug 31, 2022 Prel.		
	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total public debt	**7256**	**12504**	**107.9**	**8244**	**12567**	**105.4**
External debt	**4136**	**7127**	**61.5**	**4003**	**6103**	**51.2**
Of which: arrears	1286	2216	19.1	305	466	3.9
Multilateral and other creditors	550	948	8.2	736	1121	9.4
IMF	24.0	41	0.4	138.3	211	1.8
IDA/IBRD	226	390	3.4	277	422	3.5
AfDB	241	415	3.6	241	367	3.1
IFAD	14	24	0.2	15	23	0.2
Others	45	78	0.7	64	98	0.8
Official bilateral	1802	3106	26.8	1886	2875	24.1
Paris Club	273	470	4.1	311	474	4.0
Brazil	57	98	0.8	62	95	0.8
Belgium	89	153	1.3	81	124	1.0
France	106	183	1.6	143	218	1.8
Russia	17	30	0.3	21	32	0.3
Switzerland	4	6	0.1	4	6	0.0
Non-Paris Club	1530	2636	22.8	1575	2401	20.1
China	1257	2166	18.7	1308	1993	16.7
India	68	117	1.0	55	85	0.7
Kuwait	32	55	0.5	35	54	0.5
Saudi Arabia	46	80	0.7	52	80	0.7
Turkey	45	77	0.7	40	62	0.5
Pre-HIPC arrears (not restructured)	129	222	1.9	77	118	1.0
Private Creditors	1783	3073	26.5	1382	2107	17.7
Chinese companies	284	489	4.2	196	299	2.5
London Club (eurobond)	140	241	2.1	149	227	1.9
Oil-prepurchased debt	909	1567	13.5	761	1160	9.7
Afreximbank	54	94	0.8	48	73	0.6
Suppliers	396	682	5.9	228	348	2.9
Domestic debt	**3120**	**5377**	**46.4**	**4240**	**6464**	**54.2**
BEAC advances	572	986	8.5	572	872	7.3
Commercial banks and non-banks	1534	2643	22.8	2094	3192	26.8
Audited and validated arrears reported by CCA	1014	1748	15.1	1575	2400	20.1
Commercial	643	1108	9.6	1158	1765	14.8
Social and pensions	371	640	5.5	417	635	5.3

Sources: Congolese authorities; and IMF staff estimates

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

	Debt Stock (end of period)			Debt Service						
	2021			2021	2022	2023		2021	2022	2023
	(In Million US$)	*(Percent total debt)*	*(Percent GDP)* [8]	*(In Million US$)*				*(Percent GDP)*		
Total	12,504	100	107.9	2,312	2,886	2,286		19.1	22.9	18.0
External	7,127	57	61.5	985	1,427	1,107		8.1	11.3	8.7
Multilateral creditors[2,3]	948	7.6	8.2	34	55	64		0.3	0.4	0.5
IMF	41	0.3	0.4	…	…	…	…	…	…	…
World Bank	390	3.1	3.4	…	…	…	…	…	…	…
ADB/AfDB/IADB	415	3.3	3.6	…	…	…	…	…	…	…
Other Multilaterals	102	0.8	0.9	…	…	…	…	…	…	…
o/w: BDEAC	55	0.4	0.5	…	…	…	…	…	…	…
IFAD	24	0.2	0.2	…	…	…	…	…	…	…
Bilateral Creditors	3,106	24.8	26.8	364	321	356		3.0	2.5	2.8
Paris Club	470	3.8	4.1	24	66	76		0.2	0.5	0.6
o/w: France	183	1.5	1.6	…	…	…	…	…	…	…
Belgium	153	1.2	1.3	…	…	…	…	…	…	…
Non-Paris Club	2,636	21.1	22.8	341	255	279		2.8	2.0	2.2
o/w: China	2,166	17.3	18.7	…	…	…	…	…	…	…
India	117	0.9	1.0	…	…	…	…	…	…	…
Commercial creditors[2]	3,073	24.6	26.5	586	1,051	687		4.8	8.3	5.4
o/w: Bonds	241	1.9	2.1	43	41	40		0.4	0.3	0.3
Other international creditors	2,832	22.6	23.3	543	1,010	648		4.5	8.0	5.1
o/w: Largest two creditors	1,556	12.4	12.8	…	…	…	…	…	…	…
Others	1,276	10.2	10.5	…	…	…	…	…	…	…
Domestic[6]	5377	43.0	46.4	1327	1459	1179		10.9	11.6	9.3
T-Bills[7]	…	…	…	…	…	…	…	…	…	…
Bonds[7]	2643	21.1	22.8	739	844	829		6.1	6.7	6.5
Loans	986	7.9	8.5	22	26	26		0.2	0.2	0.2
Memo items:										
Collateralized debt[4]										
o/w: Related	1,567	…	13.5	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…
Contingent liabilities										
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities[5]	277	…	2.4							
Nominal GDP	12,131	…	…	…	…	…	…	…	…	…

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

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

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

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

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

[6] Domestic debt service includes arrears repayment.

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

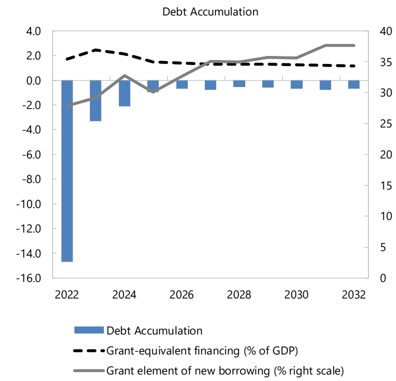
[8] Calculated with debt stock and GDP in local currency units.

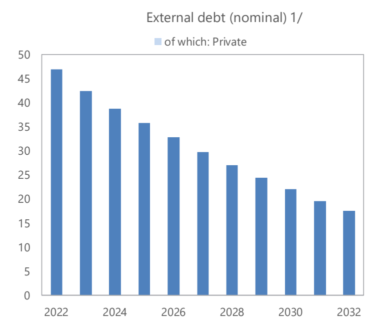
Table 2. Republic of Congo: External Debt Sustainability Framework, Baseline Scenario, 2019–42

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	**59.5**	**65.2**	**61.5**	**47.0**	**42.4**	**38.7**	**35.7**	**32.8**	**29.7**	**17.5**	**6.3**	**50.9**	**30.6**
of which: public and publicly guaranteed (PPG)	**59.5**	**65.2**	**61.5**	**47.0**	**42.4**	**38.7**	**35.7**	**32.8**	**29.7**	**17.5**	**6.3**	**50.9**	**30.6**
Change in external debt	4.6	5.8	-3.7	-14.5	-4.6	-3.7	-3.0	-2.9	-3.1	-2.1	-0.7		
Identified net debt-creating flows	**0.6**	**9.7**	**-25.0**	**-27.1**	**-15.1**	**-10.0**	**-9.3**	**-7.7**	**-6.7**	**6.0**	**9.6**	**-2.8**	**-7.1**
Non-interest current account deficit	**-19.8**	**-14.2**	**-15.5**	**-23.0**	**-9.5**	**-3.9**	**-3.1**	**-1.7**	**-0.9**	**8.2**	**11.3**	**0.4**	**-3.0**
Deficit in balance of goods and services	-26.8	-13.0	-24.8	-33.5	-19.7	-14.6	-12.8	-10.8	-9.6	-0.4	7.9	**-4.9**	**-12.3**
Exports	66.0	49.5	72.8	90.3	82.7	78.6	72.8	67.4	65.0	54.2	29.1		
Imports	39.2	36.5	48.0	56.8	63.0	64.0	60.0	56.6	55.4	53.9	37.0		
Net current transfers (negative = inflow)	-1.0	-1.1	-0.1	-0.2	-0.6	-0.3	-0.4	-0.4	-0.4	-0.5	-0.4	**0.7**	**-0.4**
of which: official	-1.0	-1.2	-0.5	-0.6	-0.9	-0.6	-0.8	-0.8	-0.8	-0.9	-0.8		
Other current account flows (negative = net inflow)	8.0	-0.1	9.4	10.8	10.7	10.9	10.1	9.5	9.2	9.0	3.8	**4.6**	**9.7**
Net FDI (negative = inflow)	**14.3**	**9.6**	**-1.8**	**-3.9**	**-4.7**	**-5.1**	**-5.6**	**-5.4**	**-5.1**	**-1.7**	**-1.5**	**-5.5**	**-3.4**
Endogenous debt dynamics 2/	**6.2**	**14.4**	**-7.7**	**-0.2**	**-0.9**	**-1.0**	**-0.6**	**-0.7**	**-0.7**	**-0.5**	**-0.2**		
Contribution from nominal interest rate	2.9	0.7	1.0	1.4	1.0	0.8	0.7	0.6	0.6	0.3	0.1		
Contribution from real GDP growth	-0.6	4.5	-0.8	-1.6	-1.9	-1.8	-1.3	-1.3	-1.3	-0.8	-0.4		
Contribution from price and exchange rate changes	3.9	9.1	-7.9	...	...	...	...	...	...	...	...		
Residual 3/	**4.0**	**-4.0**	**21.3**	**12.6**	**10.6**	**6.4**	**6.3**	**4.8**	**3.6**	**-8.1**	**-10.2**	**6.8**	**3.1**
of which: exceptional financing	0.0	-2.5	-1.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**59.0**	**42.6**	**38.9**	**34.8**	**32.1**	**29.5**	**26.8**	**16.3**	**5.9**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**81.0**	**47.2**	**47.0**	**44.3**	**44.1**	**43.8**	**41.3**	**30.0**	**20.2**		
PPG debt service-to-exports ratio	**9.9**	**15.4**	**11.1**	**12.7**	**10.5**	**8.3**	**5.2**	**4.8**	**4.3**	**3.4**	**2.1**		
PPG debt service-to-revenue ratio	**25.5**	**37.6**	**33.2**	**37.1**	**29.1**	**22.2**	**13.4**	**11.8**	**10.2**	**7.1**	**2.7**		
Gross external financing need (Million of U.S. dollars)	135.3	311.0	-1112.6	-1943.2	-704.8	-330.7	-701.5	-572.8	-514.6	1914.0	4831.7		
Key macroeconomic assumptions													
Real GDP growth (in percent)	1.0	-6.2	1.5	2.8	4.1	4.6	3.5	4.0	4.1	4.4	5.8	**-1.1**	**4.0**
GDP deflator in US dollar terms (change in percent)	-6.6	-13.3	13.8	1.1	-3.0	1.1	2.0	2.4	2.7	2.9	3.0	**0.1**	**1.9**
Effective interest rate (percent) 4/	5.0	1.0	1.8	2.4	2.2	2.1	1.9	1.8	1.8	1.7	1.9	**1.9**	**1.9**
Growth of exports of G&S (US dollar terms, in percent)	-13.5	-39.1	70.0	28.9	-7.5	0.4	-2.2	-1.4	3.1	3.8	7.1	**3.6**	**3.5**
Growth of imports of G&S (US dollar terms, in percent)	-23.5	-24.3	52.0	22.9	12.1	7.4	-1.0	0.4	4.6	15.7	6.4	**-0.4**	**7.3**
Grant element of new public sector borrowing (in percent)	...	...	...	27.9	29.1	32.7	30.1	32.6	35.1	37.6	37.6	**...**	**33.6**
Government revenues (excluding grants, in percent of GDP)	25.7	20.2	24.4	30.9	30.0	29.6	28.2	27.4	27.5	26.2	23.2	**28.0**	**27.9**
Aid flows (in Million of US dollars) 5/	116544.1	173.2	62598.9	186.1	360.4	452.8	303.6	307.1	277.7	342.0	498.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.7	2.4	2.1	1.5	1.4	1.3	1.2	0.9	**...**	**1.5**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	37.2	39.5	41.1	47.7	53.1	60.4	70.0	78.7	**...**	**55.2**
Nominal GDP (Million of US dollars)	12,910	10,502	12,131	12,608	12,725	13,455	14,201	15,127	16,170	22,900	46,344		
Nominal dollar GDP growth	-5.6	-18.7	15.5	3.9	0.9	5.7	5.5	6.5	6.9	7.4	9.0	**-1.0**	**6.0**
Memorandum items:													
PV of external debt 7/	...	...	59.0	42.6	38.9	34.8	32.1	29.5	26.8	16.3	5.9		
In percent of exports	...	...	81.0	47.2	47.0	44.3	44.1	43.8	41.3	30.0	20.2		
Total external debt service-to-exports ratio	9.9	15.4	11.1	12.7	10.5	8.3	5.2	4.8	4.3	3.4	2.1		
PV of PPG external debt (in Million of US dollars)			7153.0	5369.1	4952.4	4681.2	4554.8	4457.8	4341.3	3725.5	2728.0		
(PVt-PVt-1)/GDPt-1 (in percent)				-14.7	-3.3	-2.1	-0.9	-0.7	-0.8	-0.7	-0.1		
Non-interest current account deficit that stabilizes debt ratio	-24.4	-20.0	-11.8	-8.4	-4.9	-0.3	-0.1	1.3	2.2	10.3	12.0		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

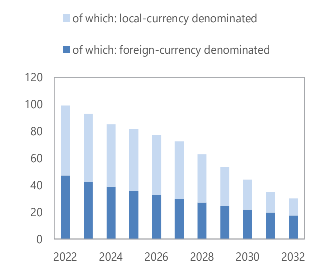
Table 3. Republic of Congo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–42

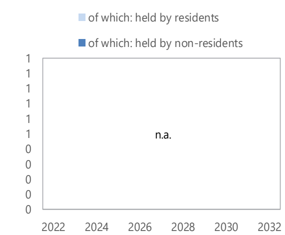
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	**84.0**	**112.1**	**107.9**	**99.0**	**93.0**	**85.2**	**81.5**	**77.2**	**72.3**	**30.1**	**30.0**	**74.7**	**66.7**
of which: external debt	**59.5**	**65.2**	**61.5**	**47.0**	**42.4**	**38.7**	**35.7**	**32.8**	**29.7**	**17.5**	**6.3**	**50.9**	**30.6**
Change in public sector debt	7.0	28.1	-4.2	-8.9	-6.0	-7.8	-3.7	-4.3	-4.9	-4.7	-1.1		
Identified debt-creating flows	**-3.0**	**15.5**	**-8.8**	**-19.1**	**-11.7**	**-11.5**	**-8.6**	**-8.4**	**-9.0**	**-8.1**	**-2.7**	**5.2**	**-11.9**
Primary deficit	**-7.9**	**-0.1**	**-4.1**	**-9.5**	**-9.0**	**-9.0**	**-7.1**	**-6.6**	**-7.1**	**-6.7**	**-1.3**	**2.1**	**-9.3**
Revenue and grants	26.5	21.9	24.9	31.5	30.9	30.2	29.0	28.2	28.3	27.1	24.0	**28.5**	**28.7**
of which: grants	0.7	1.6	0.5	0.6	0.9	0.6	0.8	0.8	0.8	0.9	0.8		
Primary (noninterest) expenditure	18.6	21.8	20.8	22.0	22.0	21.2	21.9	21.6	21.2	20.4	22.7	**30.7**	**19.4**
Automatic debt dynamics	**4.9**	**16.1**	**-4.8**	**-9.6**	**-2.7**	**-2.6**	**-1.5**	**-1.8**	**-1.9**	**-1.4**	**-1.4**		
Contribution from interest rate/growth differential	1.6	10.6	-6.2	-9.6	-2.7	-2.6	-1.5	-1.8	-1.9	-1.4	-1.4		
of which: contribution from average real interest rate	2.4	5.1	-4.5	-6.6	1.2	1.5	1.3	1.3	1.1	0.1	0.3		
of which: contribution from real GDP growth	-0.8	5.6	-1.7	-2.9	-3.9	-4.1	-2.9	-3.1	-3.0	-1.5	-1.7		
Contribution from real exchange rate depreciation	3.2	5.5	1.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**-0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.6**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**10.0**	**12.6**	**4.7**	**10.1**	**5.7**	**3.7**	**4.9**	**4.1**	**4.1**	**3.5**	**1.6**	**2.1**	**4.9**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**108.1**	**96.1**	**89.5**	**81.3**	**77.9**	**73.9**	**69.5**	**28.8**	**29.5**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**434.3**	**305.0**	**289.5**	**268.8**	**268.7**	**261.8**	**245.3**	**106.4**	**123.1**		
Debt service-to-revenue and grants ratio 3/	**27.4**	**70.3**	**76.5**	**73.2**	**52.2**	**49.4**	**46.5**	**48.8**	**46.8**	**12.5**	**31.3**		
Gross financing need 4/	-0.6	14.8	15.0	13.5	7.1	5.9	6.4	7.2	6.1	-3.4	6.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	1.0	-6.2	1.5	2.8	4.1	4.6	3.5	4.0	4.1	4.4	5.8	**-1.1**	**4.0**
Average nominal interest rate on external debt (in percent)	5.2	1.0	1.7	2.5	2.3	2.1	1.9	1.8	1.8	1.7	1.9	**1.9**	**1.9**
Average real interest rate on domestic debt (in percent)	2.8	19.7	-6.4	-9.0	3.3	3.1	3.0	3.1	2.8	0.9	1.1	**1.6**	**1.3**
Real exchange rate depreciation (in percent, + indicates depreciation)	5.7	8.6	2.2	...	...	...	...	...	...	...	...	**4.3**	**...**
Inflation rate (GDP deflator, in percent)	-1.4	-14.9	9.7	13.2	0.0	0.8	1.4	1.8	2.0	2.9	3.0	**1.1**	**3.0**
Growth of real primary spending (deflated by GDP deflator, in percent)	8.6	9.7	-2.8	8.6	3.9	1.2	6.7	2.5	2.2	38.9	2.3	**-0.7**	**4.5**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-14.9	-28.2	0.1	-0.6	-2.9	-1.2	-3.3	-2.4	-2.2	-2.1	-0.2	**-14.3**	**-2.3**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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

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

(Percent)

	Projections 1/										
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
PV of debt-to GDP ratio											
Baseline	**43**	**39**	**35**	**32**	29	27	25	22	20	18	16
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**43**	**46**	**47**	**50**	**51**	**53**	**53**	**51**	**48**	**43**	**35**
B. Bound Tests											
B1. Real GDP growth	**43**	**47**	**51**	**47**	**43**	**39**	**36**	**33**	30	27	24
B2. Primary balance	**43**	**45**	**56**	**55**	**53**	**52**	**51**	**49**	**46**	**43**	**40**
B3. Exports	**43**	**91**	**168**	**162**	**155**	**148**	**141**	**132**	**119**	**107**	**96**
B4. Other flows 3/	**43**	**51**	**59**	**56**	**53**	**49**	**47**	**43**	**39**	**35**	**31**
B5. Depreciation	**43**	**50**	**45**	**41**	**38**	**35**	**32**	29	26	23	21
B6. Combination of B1-B5	**43**	**72**	**78**	**74**	**70**	**65**	**62**	**57**	**51**	**46**	**41**
C. Tailored Tests											
C1. Combined contingent liabilities	**43**	**47**	**44**	**42**	**41**	**39**	**37**	**35**	**33**	**31**	29
C2. Natural disaster	**43**	**43**	**39**	**37**	**35**	**33**	**31**	29	27	25	23
C3. Commodity price	**43**	**51**	**59**	**57**	**55**	**53**	**51**	**47**	**43**	**39**	**36**
C4. Market Financing	**43**	**39**	**35**	**32**	29	27	25	22	20	18	16
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	47	47	44	44	44	41	39	37	35	32	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	47	55	60	68	76	81	85	85	83	77	64
B. Bound Tests											
B1. Real GDP growth	47	47	44	44	44	41	39	37	35	32	30
B2. Primary balance	47	54	71	75	79	80	81	81	79	77	75
B3. Exports	47	128	**321**	**333**	**345**	**340**	**338**	**329**	**308**	**287**	**266**
B4. Other flows 3/	47	62	75	76	78	76	74	72	67	62	58
B5. Depreciation	47	47	45	44	44	42	40	38	35	33	30
B6. Combination of B1-B5	47	86	74	118	121	118	115	110	103	96	89
C. Tailored Tests											
C1. Combined contingent liabilities	47	57	56	58	61	60	60	59	58	56	54
C2. Natural disaster	47	53	51	52	53	52	51	49	48	46	44
C3. Commodity price	47	77	90	92	93	88	85	82	78	74	69
C4. Market Financing	47	47	44	44	44	41	39	37	35	32	30
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**13**	**11**	8	5	5	4	4	4	4	4	3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**13**	**11**	9	6	6	6	6	8	9	9	10
B. Bound Tests											
B1. Real GDP growth	**13**	**11**	8	5	5	4	4	4	4	4	3
B2. Primary balance	**13**	**11**	9	7	6	6	6	6	7	7	7
B3. Exports	**13**	**18**	**25**	**19**	**18**	**17**	**16**	**22**	**31**	**30**	**28**
B4. Other flows 3/	**13**	**11**	9	6	6	5	5	6	7	7	6
B5. Depreciation	**13**	**11**	8	5	5	4	4	4	4	4	3
B6. Combination of B1-B5	**13**	**13**	**14**	9	9	8	7	10	**11**	**10**	10
C. Tailored Tests											
C1. Combined contingent liabilities	**13**	**11**	9	5	5	5	4	4	4	4	4
C2. Natural disaster	**13**	**11**	9	6	5	5	4	4	4	4	4
C3. Commodity price	**13**	**13**	**11**	7	7	6	5	7	8	8	7
C4. Market Financing	**13**	**11**	8	5	5	4	4	4	4	4	3
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**37**	**29**	**22**	13	12	10	9	9	8	8	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**37**	**30**	**25**	**16**	**16**	**15**	**15**	**17**	**19**	**20**	**20**
B. Bound Tests											
B1. Real GDP growth	**37**	**35**	**33**	**20**	**17**	**15**	13	13	12	12	10
B2. Primary balance	**37**	**29**	**24**	**17**	**16**	14	13	14	**15**	**15**	14
B3. Exports	**37**	**43**	**44**	**33**	**30**	**26**	**24**	**32**	**45**	**42**	**39**
B4. Other flows 3/	**37**	**29**	**23**	**15**	14	12	11	13	**15**	**14**	13
B5. Depreciation	**37**	**37**	**28**	**17**	**15**	13	12	11	11	10	9
B6. Combination of B1-B5	**37**	**37**	**31**	**20**	**18**	**16**	**14**	**19**	**20**	**19**	**17**
C. Tailored Tests											
C1. Combined contingent liabilities	**37**	**29**	**23**	**14**	13	11	10	10	9	9	8
C2. Natural disaster	**37**	**29**	**22**	14	12	11	9	9	9	8	8
C3. Commodity price	**37**	**34**	**27**	**18**	**16**	14	12	14	**16**	**15**	**14**
C4. Market Financing	**37**	**29**	**22**	13	12	10	9	9	8	8	7
Threshold	14	14	14	14	14	14	14	14	14	14	14

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

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

(Percent)

		Projections 1/									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
					PV of Debt-to-GDP Ratio						
Baseline	**96**	**90**	**82**	**78**	**74**	**70**	**61**	**51**	**43**	34	29
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**96**	**102**	**108**	**118**	**128**	**138**	**147**	**158**	**170**	**182**	**193**
B. Bound Tests											
B1. Real GDP growth	**96**	**113**	**137**	**143**	**147**	**150**	**145**	**139**	**133**	**127**	**128**
B2. Primary balance	**96**	**107**	**124**	**120**	**115**	**109**	**98**	**87**	**76**	**66**	**60**
B3. Exports	**96**	**113**	**138**	**134**	**129**	**123**	**113**	**100**	**87**	**74**	**65**
B4. Other flows 3/	**96**	**102**	**106**	**102**	**98**	**93**	**83**	**72**	**61**	**50**	**44**
B5. Depreciation	**96**	**97**	**87**	**81**	**76**	**70**	**59**	**49**	**39**	29	24
B6. Combination of B1-B5	**96**	**104**	**119**	**119**	**118**	**116**	**109**	**101**	**93**	**85**	**81**
C. Tailored Tests											
C1. Combined contingent liabilities	**96**	**112**	**103**	**99**	**94**	**88**	**79**	**69**	**59**	**49**	**44**
C2. Natural disaster	**96**	**100**	**92**	**88**	**84**	**80**	**71**	**61**	**52**	**43**	**38**
C3. Commodity price	**96**	**98**	**102**	**114**	**122**	**129**	**126**	**120**	**115**	**109**	**109**
C4. Market Financing	**96**	**90**	**82**	**78**	**74**	**70**	**61**	**51**	**43**	34	29
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
					PV of Debt-to-Revenue Ratio						
Baseline	305	290	270	271	264	247	218	185	155	123	108
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	305	329	358	407	450	483	520	561	607	651	693
B. Bound Tests											
B1. Real GDP growth	305	365	450	488	514	521	509	493	477	460	464
B2. Primary balance	305	346	409	414	406	384	349	313	278	242	222
B3. Exports	305	365	456	463	457	435	402	361	315	269	240
B4. Other flows 3/	305	329	349	352	346	327	296	259	222	185	163
B5. Depreciation	305	316	287	282	269	246	213	177	142	108	88
B6. Combination of B1-B5	305	336	391	410	417	409	387	361	336	309	299
C. Tailored Tests											
C1. Combined contingent liabilities	305	362	340	341	333	312	281	247	214	181	164
C2. Natural disaster	305	323	303	305	299	281	252	219	188	157	141
C3. Commodity price	305	360	384	450	481	485	463	431	414	397	401
C4. Market Financing	305	290	270	271	264	247	218	185	155	123	108
					Debt Service-to-Revenue Ratio						
Baseline	73	52	50	47	49	47	45	38	29	22	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	73	54	57	65	79	88	99	104	110	117	120
B. Bound Tests											
B1. Real GDP growth	73	63	77	82	94	99	103	97	90	84	75
B2. Primary balance	73	52	65	79	82	81	74	60	51	42	32
B3. Exports	73	52	51	51	54	51	49	46	45	36	27
B4. Other flows 3/	73	52	51	49	51	49	47	42	36	28	19
B5. Depreciation	73	54	54	48	50	47	45	38	30	22	14
B6. Combination of B1-B5	73	54	61	69	75	75	77	68	59	51	41
C. Tailored Tests											
C1. Combined contingent liabilities	73	52	66	63	67	66	56	47	37	29	19
C2. Natural disaster	73	53	57	54	58	56	51	43	34	26	17
C3. Commodity price	73	61	61	60	74	79	84	81	76	70	63
C4. Market Financing	73	52	50	47	49	47	45	38	29	22	13

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.

INTERNATIONAL MONETARY FUND

REPUBLIC OF CONGO

February 1, 2023

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

Approved By Vitaliy Kramarenko (AFR) and Geremia Palomba (SPR)

1. **The Republic of Congo recently temporarily accumulated and have fully paid arrears on external debt owed to Belgium and France since circulation to the Board of the staff report for the second review under the Extended Credit Facility Arrangement (ECF).** Arrears in the amount of $3.5 million and $6.0 million were accumulated to Belgium as of January 14 and 15, 2023 and were paid on January 20, 2023. Arrears in the amount of $10.3 million were accumulated to France as of January 15, 2023 and were paid on January 20, 2023. These arrears arose from capacity constraints faced by the Caisse Conglaise d'Amortissement (CCA), specifically errors made by overburdened staff. To address these constraints and prevent future arrears, the structure of the CCA is in the process of being reorganized in line with recent IMF technical assistance (TA) recommendations. The reorganization is expected to reduce the burden on CCA staff and facilitate hiring additional qualified staff. Decrees required to implement the new structure of the CCA have been drafted with support of IMF TA. The Ministry of Finance and the Prime Minister's office are working towards quickly adopting these decrees.

2. **Staff supports the authorities' request for a waiver of non-observance of the continuous PC on the non-accumulation of new arrears on external debt on the basis of the temporary nature of the breach and corrective measures put in place by the authorities.** The temporary accumulation of these arrears resulted in breach of the continuous PC which places a zero ceiling on the accumulation of new arrears on external debt contracted or guaranteed by the central government. Corrective actions have been taken by the authorities through quick payment of the arrears and ongoing reorganization of the CCA, supported by IMF TA, that will prevent the reoccurrence of this type of error. In light of these corrective actions, staff assesses that the breach has been corrected and staff believes that this issue does not alter the overall assessment conducted in the staff report, including

the authorities' continued commitment to the program. Based on information provided by the authorities, there are no other external arrears at this moment.

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

4. A revised proposed decision is attached to this supplement.

Appendix I. Supplementary Letter of Intent

February 1, 2023

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

Madam Managing Director:

1. In addition to our Letter of Intent dated December 14, 2022, we wish to provide additional information on external arrears of $19.8 million (0.2 percent of GDP) that were temporarily accumulated to two of our official creditors. Arrears in the amount of $3.5 million and $6.0 million were accumulated to Belgium as of January 14 and 15, 2023 and were paid on January 20, 2023. Arrears in the amount of $10.3 million were accumulated to France as of January 15, 2023 and were paid on January 20, 2023. The debt service to Belgium was originally due on December 14 and 15, 2022 and to France on December 15, 2022. Once the delayed payments exceeded the 30-day grace period provided for in the TMU, they became arrears for program purposes and constituted non-observance of the continuous PC in the TMU. Upon notification by the respective creditors, we immediately paid these arrears.

2. The situation has been corrected with rapid payment of these arrears and we are addressing the capacity constraints faced by the Caisse Conglaise d'Amortissement (CCA), specifically overburdened staff, that led to these arrears. The structure of the CCA is in the process of being reorganized in line with recent IMF technical assistance (TA) recommendations. The reorganization is expected to reduce the burden on CCA staff and facilitate hiring additional qualified staff. Decrees required to implement the new structure of the CCA have been drafted with support of IMF TA. The Ministry of Finance and the Prime Minister’s office are working towards quickly adopting these decrees. We wish to assure you that with the new structure of the CCA, which is part of on-going improvements in our debt management capacity with the support of IMF TA, such arrears will not occur in the future and we request a waiver for the non-observance of this continuous Performance Criteria.

3. The government stands ready to take any additional measures that may be necessary to further improve debt management, a key pillar of the program. We will consult with the IMF

on the adoption of such measures in advance of any revision of the policies contained in the MEFP, in accordance with the Fund's policies on such consultations.

Sincerely,

/s/

Jean-Baptiste Ondaye
Minister of Finance and Economy
Brazzaville, Republic of Congo

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

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

	Type of criteria	End-Feb 2022			End-Jun 2022				End-Sept 2022		End-Dec 2022		End-Mar 2023		End-June 2023	End-Sept 2023	End-Dec 2023
		PC Program	Actual	Status	PC Program	PC Modified Program	Actual	Status	IT Program	IT modified Program	PC Program	PC modified Program	IT Program	IT modified Program	PC Program	IT Program	PC Program
Floor on basic non-oil primary budget balance[2]	PC	-128	-62	Met	-309	-321	-284	Not Met	-459	-396	-510	-506	-131	-143	-303	-444	-523
Adjusted target (floor)		-126				-233											
Upward (Downward) adjustment for higher (lower) than expected oil-related transfers		0				57											
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower oil revenue		1				31											
Ceiling on net domestic financing of the central government	PC	168	106	Met	289	217	144	Not Met	331	101	-262	-57	209	-15	-47	-121	-297
Adjusted target (ceiling)		169				22											
Downward (Upward) adjustment for higher (lower) than expected net external assistance and oil revenue		1				-195											
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3]	PC	0	0	Met	0	0	12	Not Met	0	0	0	0	0	0	0	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,4,5,7]	PC	0	0	Met	0	0	1132	Not Met	0	0	0	0	0	0	0	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,6]	PC	0	0	Met	0	0	0	Met	0	0	0	0	0	0	0	0	0
Floor on non-oil revenues	IT	96	113	Met	289	298	355	Met	495	553	758	762	182	191	405	632	881
Floor for social and poverty-reducing spending	IT	61	38	Not Met	152	152	184	Met	228	228	379	379	96	80	181	322	402
Ceiling on disbursements of external loans for investment projects	IT	17	16	Met	56	56	133	Not Met	111	149	143	157	25	67	123	176	186
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion)[4,7]	IT	15	0	Met	37	36	0	Met	52	0	69	33	43	46	86	100	140
Floor on repayment of domestic arrears accumulated by the central government	IT	16	20	Met	30	60	270	Met	161	361	402	365	21	20	40	90	200
Memo items:																	
Oil revenue[8]		161	222		439	680	907		1082	1272	1546	1405	236	241	584	965	1439
Expected external assistance, net[9]		-118	-182		-299	-409	-471		-614	-557	-870	-845	-67	-133	-239	-364	-555
- BoP assistance (IMF-ECF)		51	54		102	106	108		106	108	158	108	0	55	83	83	110
- Budgetary loans and grants (excl. IMF)		9	0		19	19	61		29	66	103	98	92	30	88	127	189
- Change in non-program external arrears		0	-15		0	0	0		0	0	0	0	0	0	0	0	0
Payments for current external debt service due after debt relief		127	167		318	428	532		643	622	974	943	160	164	328	491	744

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

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

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

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

[5] Excluding all types of financing mentioned in paragraph 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.

Statement by Mr. Facinet Sylla, Executive Director for the Republic of Congo; Mr. Regis N'Sonde, Alternate Executive Director; and Mr. Thierry Nguema-Affane, Senior Advisor to the Executive Director

February 6, 2023

Introduction

The visit to the IMF Managing Director of the President of Republic of Congo, H.E. Denis Sassou Nguesso on December 12, 2022, at the IMF Headquarters in the margins of the Second USA-Africa Leaders Summit was an opportunity to reaffirm Congo's economic policy and reform commitments albeit challenging times. These commitments include enhancing domestic macroeconomic stability through steadfast fiscal consolidation and PFM measures with particular attention given to protecting the most vulnerable populations; continue advancing governance, anti-corruption, and transparency reforms; and promote economic diversification while adapting to climate change including by preserving the rainforest and rivers in the Congo Basin.

The program implementation in the period under review has been marked by challenges stemming from a volatile international environment, the war in Ukraine and their mixed spillovers. Congo is an oil-exporting country but also a net importer of food and refined petroleum products. Rising costs of living, food insecurity, the growing impact of climate change and the ensuing need for social protection have in part negatively affected the performance under the Fund-supported program. The Congolese authorities have however taken the needed actions to keep it on track. Moreover, further strides were made in the implementation of the vast structural reform agenda, including on governance and anti-corruption frameworks.

Going forward, the authorities remain committed to pursue a higher, inclusive, and green growth. These objectives are at the center of the recently adopted national development plan (NDP) for 2022–26. Congo is also determined to play its role in the regional strategy, notably by contributing to strengthening the external position of CEMAC in the context of the ECF arrangement and paving the way for stronger and sustainable growth through implementation of measures under the regional economic and financial reform program (PREF-CEMAC).

Recent Developments and Outlook

Economic activity strengthened in 2022. Real GDP growth is projected to increase to 2.8 percent from 1.5 percent in 2021, driven by a recovery in oil production and sustained activity in the non-oil sector. The latter reflects scaled-up spending in social assistance and public investments, especially in agriculture and infrastructure, which consequently helped to reduce reliance on food imports and increase its resilience to climate change. End-year inflation shot up from 1.5 percent in 2021 to 3.5 percent in 2022 owing to soaring prices of imported food and fuel. Despite a larger import bill due also to the depreciation of the CFA franc vis-à-vis the US dollar and higher transport costs, the current account surplus grew by almost 50 percent to 21.6 percent of GDP thanks to robust oil exports.

Fiscal policy stance, notably in respect to the non-oil fiscal indicators, was relaxed to accommodate greater social and investment spending as well as subsidies. Regarding the latter, the high costs of fuel imports led to the introduction of a new subsidy to the national oil company, SNPC, in the July 2022 revision of the budget. The authorities had also to provide subsidies for electricity and cooking fuels to help households weather the cost-of-living crisis. Despite the rising expenditures and increase in the non-oil primary deficit-to-nonoil GDP ratio—an indicator that the authorities consider as a key anchor for debt sustainability—the fiscal primary and overall surpluses more than doubled on the back of higher oil revenue. A recent agreement with oil producers on their tax concessions also benefitted the overall fiscal position. In addition to social and investment spending, the oil windfalls were used for debt reduction and reserve accumulation at BEAC, the regional central bank.

The banking system broadly has remained sound. Stable non-performing loans (NPLs) reflect the positive impact of domestic arrears repayments, while the reduced domestic bank financing of the budget has supported private sector credit growth.

Economic recovery is expected to further strengthen in 2023 and over the medium term, while inflation will gradually recede, and the external position reinforce. Economic expansion this year will be supported by higher oil production and growth in the non-oil sector amid further improvements in the epidemiological situation and sustained domestic demand. Inflation should decelerate in 2023 and over the medium-term towards the CEMAC convergence threshold of 3 percent as global inflation abates. The current account balance will remain in surplus and contribute to regional reserve accumulation. This outlook is however subject to elevated downside risks including an intensification of spillovers from the war in Ukraine and adverse weather conditions that would further increase food insecurity and inflationary pressures. To protect this outlook, the authorities are determined to accelerate reform implementation. Timely support from donors is also critical, which would help support investment and hence, boost economic growth.

Program Performance

Quantitative performance has been mixed in the difficult circumstances. One of the five quantitative performance criteria (QPCs) and four of the five indicative targets (ITs) underlying this review have been met at end-June 2022. However, the increased oil-related transfers and subsidies sparked by the higher costs of fuel imports have led to the non-observance of the QPCs on non-oil primary balance and on net domestic financing of the central government. It is worth stressing that, as noted earlier, the overall primary balance remained largely in surplus, which demonstrates the authorities' prudent use of oil windfalls. Nevertheless, the authorities took corrective actions in the forms of transfers of backlogged dividends from SNPC to the budget and the elimination of VAT and customs duty exemptions received by SNPC. In addition, the regulated fuel prices have been adjusted upward and the Parliament has passed a budget that will fully phase out the new fuel subsidy during 2023–24. The continuous QPC on new non-concessional external debt was also missed due to a recent World Bank loan whose concessionality was below 35 percent and the conversion into dollars of a domestic currency-denominated external debt. The conversion has been since reversed. Temporary arrears accrued recently have also been paid and no additional arrears have been accrued. In light of the corrective actions taken, the authorities are requesting waivers of the non-observance of the missed QPCs. Also, in view of the fiscal relaxation during 2022, the authorities are requesting a modification of the end-December 2022 QPCs on the non-oil primary balance and the net domestic financing.

As regards to the public debt, Congo has remained in large part current on its service since the start of the arrangement albeit two recent short-lived arrears. The authorities have used part of the oil windfalls to gradually reduce external arrears They have begun to service the debt rescheduled under the Debt Service Suspension Initiative (DSSI) in mid-2022. Additionally, agreements on the resolution of debt arrears with several domestic and external creditors have been concluded while others are under negotiations. To ensure timely debt service, following the recent occurrence of small –and resolved– external arrears to Belgium and France, capacity constraints in debt management are being addressed with the support of on-going IMF technical assistance.

The implementation of the structural conditionality has advanced well. All structural benchmarks programmed for end-June 2022 and end-July 2022 were met with the exception of the publication of the decree on conflict-of-interest rules and procedures. The asset declaration requirements which did not fully meet international standards in the decree have been since addressed in a ministerial order adopted and published in January 2023. The ministerial order establishes a formal model for asset disclosure by public officials, providing notably the beneficial ownership of assets and information on family members, and mandatory disclosure of interests at regular periods and whenever warranted by a substantial change in assets and interest.

Policies for 2023 and Beyond

The Congolese authorities remain committed to their reform program embedded in the national development plan. The NDP 2022–26 aims to reduce the country's fragility through economic diversification, job creation, and higher incomes. The authorities will take the opportunity of high oil prices to further address pressing social and investment needs, reduce debt, gradually deregulate fuel prices while protecting the vulnerable. Their policy strategy will contribute to accumulating international reserves at the regional central bank. They will sustain the reform momentum with a special emphasis on further improving the anti-corruption and governance frameworks.

Pursuing Fiscal and Debt Sustainability

The authorities' fiscal policy in 2023 onward will adopt a growth-friendly stance while strengthening fiscal and debt sustainability. Fiscal consolidation will be pursued through revenue mobilization and spending reprioritization over the medium term to create more room for social and investment spending. To this end, the 2023 budget maintains the revenue-enhancing measures adopted over the past three years while keeping low VAT rates and customs duties on essential food imports to help the population cope with high inflation. Elimination of unproductive exemptions will continue, including those accorded to SNPC. The latter is expected to finalize payment of past years' dividends for which the equivalent of 0.2 percent of non-oil GDP was already paid to the 2022 budget. The fiscal position will also benefit from the gradual phasing out of untargeted fuel subsidies.

Spending prioritization is at the forefront of the fiscal consolidation strategy. Expenditures on health, education, social assistance, and resilient infrastructure will increase while maintaining determined efforts to contain the wage bill and reduce fiscal risks from state-owned enterprises (SOEs) and public private partnerships (PPPs). In this regard, a legal and regulatory framework for PPPs that is consistent with international best practices is being developed and will be implemented by end-September 2023. Social programs anchored to the Single Social Registry will expand while improving their targeting and their impact. The repayment of domestic arrears (for an amount equivalent to 3.3 percent of non-oil GDP) and of social sector arrears, including pension arrears, will continue in 2023.

The achievement of medium-term fiscal objectives will be supported by sustained implementation of the vast reforms. In particular, the administration of hydrocarbon-related VAT will be strengthened while eliminating related exemptions. As regard public financial management, a special focus is placed on enhancing public investment management to avoid accumulation of new arrears and obtain more value for money spent in large public investment projects. The authorities appreciate the C-PIMA mission that is currently underway. Transparency in the utilization of the emergency funds during the pandemic will continue through publications of related procurement contracts and audit reports. Public debt management will continue to be strengthened in line with the comprehensive debt management strategy for 2023–25 that was developed with Fund technical assistance (TA) and adopted in July 2022.

Advancing reforms of the energy sector is also a central element of the authorities' medium-term program. Efforts underway to increase governance and performance of the energy SOEs will be sustained with a view to increasing revenue, reducing transfers and subsidies as well as ensuring greater contribution to the budget through dividends specifically from SNPC. Control and transparency in resource revenue management will continue through publication of audit and activity reports. The publication of the Extractive Industries Transparency Initiative (EITI) report for 2021 is expected soon.

Enhancing Financial Stability and Inclusion

Efforts to strengthen financial stability and broaden access to finance will continue through continued cooperation with the regional supervisory body COBAC. As indicated above, the continuation of domestic arrears payments is critical to further reduce financial stability risks. COBAC is monitoring closely developments in the banking sector following the removal in July 2022 of prudential relaxation measures introduced to cope with the effects of the pandemic. Relatedly, the resolution of the weak public banks remains critical to preserve financial stability. On a separate note, the authorities will pursue the implementation of the 2022–27 regional financial inclusion strategy. In this vein, a roadmap has been elaborated.

Bolstering Economic Diversification and Adaptation to Climate Change

The authorities are keen to foster economic diversification as envisaged in the NDP 2022–26. To sustain diversification notably towards the agriculture, manufacturing, and tourism sectors, the authorities plan to expand basic infrastructure for transport, irrigation, water and sanitation, as well as telecommunications while increasing accessibility and affordability of energy. The authorities share the view that the structural transformation of this economy would benefit significatively from digitalization—which is a key pillar of the NDP 2022–26. In this regard, they will also be guided by the recommendations of the PREF-CEMAC.

Advancing adaptation to climate change is becoming more and more critical. Congo is one of the world's most vulnerable countries to climate change, based on Notre Dame Global Adaptation Index. Recently, Congo has been hit by weather-related shocks, notably floods, destroying infrastructure and affecting a significant segment of the population in the northern part of the country. The Congolese authorities continue to promote the preservation of rainforest and the efficient exploitation of water resources in the Congo Basin, which is a major global public good but lack financing. In this regard, they are reflecting on carbon credits, among other solutions. The authorities have also started to inquire about Congo's possible access to the IMF's Resilience and Sustainability Trust (RST).

Conclusion

While macroeconomic program implementation during the period under review has suffered from multiple shocks, the authorities have kept the program on track thanks to remedial measures to maintain the fiscal path on target. The Congolese authorities have provided protection to the most vulnerable against higher food and fuel prices while pursuing development investment and addressing domestic and external debt arrears through repayments and good faith negotiations with creditors. Going forward, the authorities remain committed to the program objectives and continue to value IMF's advice and technical support. They are requesting the completion of the second review under the ECF-supported program and approval of related decisions. Executive Directors' favorable consideration of these requests will be appreciated.