INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/251

REPUBLIC OF CONGO

July 2024

2024 ARTICLE IV, FIFTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR

In the context of the combined Article IV and, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 10, 2024 following discussions that ended on May 16, 2024, with the officials of the Republic of Congo on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 24, 2024
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Republic of Congo.

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PRESS RELEASE

PR24/269

IMF Executive Board Concludes the 2024 Article IV Consultation and the Fifth Review of the Extended Credit Facility Arrangement and Approves US$ 43 million Disbursement for the Republic of Congo

FOR IMMEDIATE RELEASE

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

Washington, DC – July 10, 2024: The Executive Board of the International Monetary Fund (IMF) concluded today the Article IV consultation with the Republic of Congo and the fifth review of the Republic of Congo's arrangement under the Extended Credit Facility (ECF), which was approved on January 21, 2022. The completion of the review allows for the immediate disbursement of SDR 32.4 million (about US$ 43 million), bringing total disbursements under the ECF Arrangement to SDR 291.6 million. This financing from the IMF will continue to help the authorities implement their development policies, maintain macroeconomic stability, and strengthen economic recovery amid inflationary pressures and tighter financial conditions.

Program performance was broadly satisfactory, but structural reforms continue to experience delays. The authorities addressed the breach of performance criteria related to external debt service, for which a waiver for non-observance was granted, given the minor nature of the breach and the corrective actions taken, including the completion of the reorganization of the debt management office. Reform benchmarks aiming for more transparency, improved debt management, and the protection of public resources have been completed, albeit with delay for some of them, while efforts to ensure faster execution of social spending need to be stepped up.

Fiscal policy is focused on reducing fragilities while enhancing debt sustainability. Spending reductions tightened the fiscal deficit more than anticipated in 2023, but critical social spending and public sector investments are projected to return to previous levels in 2024.

Sustained structural reform implementation is needed to continue with the progress made so far. Improved management of public finances especially on public investment and debt will facilitate larger, more effective, and higher quality development spending. Broader governance reforms, encompassing anti-corruption and transparency, will also be critical for improving the business environment.

Congo's economic recovery continues at a moderated pace. Growth is expected to pick up over the next two years, approaching subsequently a range of 3.5 to 3.8 percent, while inflation will return from currently elevated levels to the region's 3 percent target. The country's current account surplus is projected to continue declining, before turning negative, partly reflecting the projected decline in oil prices.

The implementation of policies and reforms 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 continued at moderated speed, supported by robust but softer non-hydrocarbon growth and gradual reform implementation. Risks point to the downside, including from potential escalation of conflicts around the globe, climate shocks, oil price volatility, tighter external financial conditions, and slower reform implementation. With global disinflation and the appropriate regional monetary policy stance, inflation is expected to ease back from its currently elevated level to the regional target of 3 percent. Amid global uncertainties, the authorities reiterated their commitment to implementing policies and reforms conducive to higher, more resilient, and inclusive growth while maintaining macroeconomic stability and debt sustainability.

"Program performance was broadly satisfactory. All end-December 2023 quantitative performance criteria were met, but the continuous zero ceiling performance criterion on new external arrears was breached by instances of delayed debt service. Progress in advancing structural reforms has continued, albeit with delays. Decisive corrective actions have been taken to strengthen program performance.

"The authorities are encouraged to maintain fiscal consolidation efforts. Continued spending discipline, a broadening of the tax base, and a scaling down of tax expenditures should gradually establish the fiscal space needed for stepping up social and development spending. A further streamlining of fuel subsidies coupled with enhanced social assistance targeted to the vulnerable are important expenditure reforms to achieve this goal.

"Strengthened management of public finances and debt is essential for ensuring debt sustainability, avoiding accumulation of new arrears, and improving the effectiveness of public spending.

Further enhancing information sharing and coordination among government agencies on issues related to debt service, and increasing transparency on public debt will be key.

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

REPUBLIC OF CONGO

June 24, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. The fourth review of a three-year Extended Credit Facility (ECF) arrangement (SDR 324 million, 200 percent of quota) was concluded on December 20, 2023. Economic growth momentum softened in 2023 as oil production surprised on the downside, which, together with the 2023-2024 floods, challenges in the provisioning of electricity, and weaker public investment, weighed on non-hydrocarbon growth as well. Growth is expected to recover to close to 4 percent over the medium term. Under-execution of public spending across the board, but particularly on capital expenditures and social transfers, brought the 2023 non-hydrocarbon primary deficit to 8.4 percent of non-hydrocarbon GDP, which is 3.2 percentage points lower than projected in the fourth review (CR 24/2). However, the current account weakened, a trend that is projected to continue over the medium term, as oil production stagnates while oil prices are slightly trending down. Despite external arrears remaining below the de-minimis threshold, public debt is assessed as sustainable but "in distress" due to frequent accumulation of new external arrears and lingering uncertainty about the size of domestic arrears.

Outlook and risks. Risks point to the downside. Oil price volatility and fluctuations in oil production can complicate fiscal management. Newly detected domestic arrears can challenge efforts to reduce public debt. Escalation of regional conflicts around the globe could adversely impact investment, exports, imports, remittances, and inflation. Broader investment could slow with further interest rate hikes and tightening external financing conditions. Delays in fuel subsidy reforms could stall needed fiscal consolidation and the scaling-up of social spending. Sustainable growth will over the medium term depend on accelerated implementation of structural reforms.

Program performance was broadly satisfactory. All end-December 2023 program performance criteria (PC) have been met. The continuous PC on non-accumulation of external arrears was breached in April-June 2024. Except for a minor portion (0.01 percent of non-hydrocarbon GDP), these new arrears were repaid. The 2023 basic non-hydrocarbon primary deficit and net domestic financing came out below their program targets with comfortable margins (about 1.3 and 0.1 percent of non-hydrocarbon GDP, respectively). As for the accumulation of external arrears, a waiver of non-observance will be requested based on the limited size of the breach and the effective finalization of the reorganization of the debt management office (prior action). Concerning indicative targets (ITs), all but the social spending and non-hydrocarbon floors were met. The three structural benchmarks (SBs) due in March-April relating to the enactment of unified VAT legislation, the reorganization of the debt management office, and the publication of conflict-of-interest declarations were missed, with the latter two subsequently being elevated to prior actions. The SB on the publication of a quarterly debt bulletin was met, and progress towards the publication of the governance action plan is underway, but the SB on operationalizing Congo's financial information system is proposed to be refined and pushed back to November 2024.

Program strategy. As the fiscal overperformance in 2023 is of a temporary nature, the 2024 fiscal strategy aims to ensure a growth-friendly fiscal consolidation consistent with the original path anticipated in CR24/2 by restoring public investments to previous levels and boosting social spending. Continued fuel subsidy reforms and measures to strengthen non-hydrocarbon revenues will carry the fiscal adjustment momentum forward. Spending reprioritized towards social programs should assuage cost-of-living pressures for the vulnerable population and add to growth momentum, as improving human capital supports non-hydrocarbon sector growth. Structural reforms urgently need to address deficiencies in debt management with a view to reduce high debt vulnerabilities. The ECF arrangement will support this strategy by catalyzing development partner financing and will be backed up by regional CEMAC efforts to maintain an appropriate monetary policy stance, build up regional reserves, and promote financial sector stability.

Article IV issues. Discussions focused on key structural reforms to avert persistent accumulation of domestic arrears; the climate adaptation needs to contain the potential adverse impact of climate vulnerability on growth and income inequality, with a particular focus on the 2023-24 floods; options to reinvigorate the financial inclusion policy agenda; domestic revenue mobilization; policies to deepen the economic diversification strategy; and finally, the importance of continued fuel subsidy reforms to buttress fiscal space for poverty reduction and growth-enhancing public spending.

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

Discussions on the review for an ECF-supported program were held virtually during May 2–16, 2024. The staff team comprised Mr. Kpodar (head), Ms. El Idrissi, Mr. Hespeler, Mr. Islam (all AFR), Mr. Kiendrebeogo (FAD), Mr. de Carvalho Filho (SPR), Ms. Zarazinski (LEG), and Mr. Nsongui Tonadio (local economist). Ms. Nkusu (Senior Advisor to the Executive Director) joined part of the mission. Ms. Avila-Yiptong, Mr. Dalmau and Mr. Masterson (all AFR) provided support from HQ and Ms. Joseph (AFR) assisted with the preparation of the report. The mission held discussions with the Hon. Mr. Makosso Prime Minister, Hon. Mr. Ondaye Minister of Finance and Economy, Hon. Mr. Ngatsé Minister of Budget, and other senior officials. The mission also met with representatives of the private sector, civil society, and development partners.

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CONTEXT

1. **Economic diversification and sustained structural reforms remain crucial for addressing Congo's deep rooted economic, social, and institutional fragilities.** Inclusive and sustainable growth, economic development, and job creation require diversification beyond the hydrocarbon sector. Elevated inequality and informality call for the continuation of reforms and policies supporting social development and inclusion, including enhanced execution of social spending, responsible fiscal management, efficient public investment, and improved governance. To climate-proof its economy and attenuate social fragilities, Congo will need to prioritize resources for investing in green and inclusive infrastructure and human capital. The 2023–2024 floods serve as a reminder of the urgency to strengthen resilience in the face of rising climate risks.

2. **Efforts to tackle elevated debt vulnerabilities remain key to unlock fiscal space for growth-enhancing public spending.** Reducing public debt from nearly 100 percent of GDP at end-2023 requires well-managed fiscal consolidation. Continued fuel subsidy reforms, improved transparency in expenditure management, prudent revenue projection, and intensified non-hydrocarbon revenue mobilization are key to create fiscal space. This, in turn, will allow for increasing investments that can support diversified and inclusive economic growth.

3. **In the short term, prudent budget management is required to maintain the delicate balance between fiscal consolidation needs and growth-oriented prioritization of public spending.** Prioritized execution of social spending and investment is needed to ensure an adequate development of Congo's productive resources, including physical and human capital, while preserving the continuation of fiscal consolidation. Over the longer term, the build-up of fiscal buffers to deal with exogenous shocks will provide some relief from the inherent tension between these two objectives.

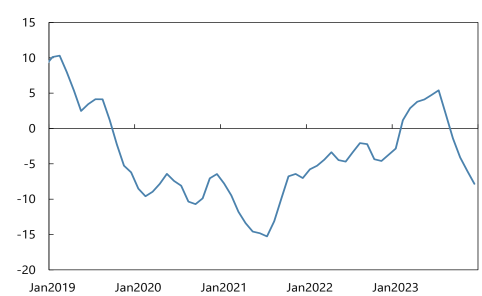
RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

4. **Growth recovery was slower than anticipated, as oil production disappointed and downside risk materialized.** Due to technical disruptions and maturing oilfields oil production declined in the second half of 2023 (Text Fig. 1). The non-hydrocarbon sector has remained Congo's growth engine but has slowed down recently. Manufacturing and services, and agriculture performed relatively well in 2023. The repayment of domestic arrears supports these sectors. However, heavy floods occurred in 2023–2024, power outages became more frequent, and public investment weakened, reducing growth momentum.

Text Figure 1. Oil Production

Monthly year-on year growth in oil production

(percent, 3 months averages)



Sources: Congolese authorities, IMF staff calculations

5. Inflationary pressures remained. Inflation surged from 3.2 percent in December 2022 to 5.6 percent in December 2023, primarily due to non-food inflation. This spike resulted from lingering cost pressures stemming from elevated import prices and supply chain disruptions, compounded by increased domestic energy costs. While food inflation slightly drifted down, it remained elevated compared to pre-pandemic levels.

6. Fiscal policy was tightened more than expected in 2023. Higher-than-anticipated direct tax revenues—partly driven by enforced tax collection and payment of tax arrears—were offset by shortfalls in VAT, while lower oil production weighed on hydrocarbon revenues. With under-executed investment and social expenditures, coupled with the savings from the fuel subsidy reform, the non-hydrocarbon primary deficit declined to 8.4 percent of non-hydrocarbon GDP, 3.2 ppts lower than anticipated in the fourth ECF review (CR 24/2) and 7.2 ppts down from 2022 (Text Table 1). [1] This is despite the 2023-24 floods that necessitated unforeseen emerging spending. [2] Significantly lower capital expenditures were due to lower-than-expected disbursement of project loans (1.6 percent of non-hydrocarbon GDP) and a tightening in the use of exceptional procedures. The wage bill was below target, reflecting delayed recruitment in the health and education sectors. Tighter financing conditions on the regional bond market may have also constrained the budget execution. Looking ahead, the authorities agreed that future consolidation efforts should be accompanied by adequate investment and improved prioritization and execution of social spending, including well-targeted social transfers for the most vulnerable, as well as timely execution of public investment.

Text Table 1. Republic of Congo: 2023 Fiscal Performance

(Percent of Non-hydrocarbon GDP)

	2022 (Prel.)	2023 (CR 24/2)	2023 (Proj.)	Change vs. CR 24/2	Change vs. 2022
Revenues	**44.9**	**34.6**	**34.4**	**-0.2**	**-10.5**
Hydrocarbon revenue	32.0	20.4	20.1	-0.3	-12.0
Non-hydrocarbon revenue	12.0	13.2	13.2	0.1	1.3
Direct taxes	4.7	5.3	6.0	0.7	1.2
Taxes on goods and services	4.1	4.8	4.2	-0.6	0.1
Customs receipts	2.2	2.1	2.1	0.0	-0.2
Non-tax revenue	0.9	1.0	1.0	0.0	0.1
Grants	0.9	1.1	1.1	0.0	0.2
Expenditure	**32.2**	**30.1**	**26.9**	**-3.2**	**-5.4**
Current expenditure	27.1	23.5	22.4	-1.1	-4.8
Wages	6.1	6.1	5.9	-0.2	-0.3
Goods and services	3.5	2.8	2.9	0.0	-0.7
Social transfers	2.3	2.8	2.4	-0.4	0.0
Oil-related transfers	5.1	2.3	1.9	-0.4	-3.1
Other, including interest	10.0	9.4	9.3	-0.1	-0.7
Capital expenditure	5.1	6.6	4.5	-2.1	-0.6
Non-oil primary balance	**-15.7**	**-11.7**	**-8.4**	**3.2**	**7.2**
Primary balance	**16.4**	**8.7**	**11.6**	**2.9**	**-4.7**
Overall balance, cash basis	**12.6**	**4.6**	**7.5**	**3.0**	**-5.1**

Sources: Congolese authorities, IMF staff estimates and projections

7. Congo's external position in 2023 was weaker than implied by medium-term fundamentals and desirable policies. Weaker global oil prices, lower hydrocarbon exports,

[1] The phasing-out of fuel subsidies was supported by a cumulative rise of 30 percent of gasoline and diesel prices in 2023.

[2] Estimated at CFAF 16 billion, the fiscal cost of the recent floods is only a lower bound estimate as it does not account for potential second-round effects from economic activity and other sectors. While the authorities received commitments from multilateral donors, including the World Bank and African Development Bank, there is still uncertainty about the fiscal risk associated with the floods.

and growing imports are projected to reduce the current account surplus to 6.4 percent of GDP in 2023, slightly stronger than anticipated in CR 24/2. Nevertheless, higher debt service and short-term capital outflows are expected to result in weaker accumulation of net foreign assets than initially projected. Congo's external position was weaker than warranted by fundamentals and desirable policies in 2023, which is broadly in line with the findings for the entire currency union (Annex V). The external assessment is based on judgement, considering the balance of risks and the uncertainty about the modeled external sector assessments.

8. While the financial system's prudential indicators remain adequate, some vulnerabilities persist posing moderate financial stability risks (Fig. 3). By end-2023, the capital adequacy ratio remained adequate (17.4 percent of assets, well above the regulatory minimum of 10.5 percent). Banks' risk-weighted exposure increased, driven by increased government bond issuance and securitization of domestic arrears. [3] Asset quality improved during 2020–21, partly owing to the gradual clearance of domestic arrears, and has since remained relatively stable, while provisioning has risen. The banking sector's liquidity remains robust, with large deposits at BEAC, but credit to the private sector has stagnated over the past year. With underdeveloped secondary markets, elevated sovereign exposure implies a sovereign-bank nexus that may exacerbate financial sector vulnerabilities. Further, potential crowding-out effects could undermine the much-needed private investment for economic diversification. While profitability and liquidity improved over the past year, the ongoing restructuring of the two weak banks (one state-owned, the other private, holding 4 percent and 10 percent of banking assets at end-2023, respectively) faces delays due to a lack of recovery plans meeting regulatory capital adequacy requirements. [4] COBAC is committed to reinforce compliance and expedite the restructuring process by taking recourse to penalties and close monitoring of the two banks. [5]

9. Growth-friendly consolidation will soften the impact of the 2024 floods, whereas continued structural and governance reforms will support economic diversification away from oil and towards resilient and inclusive growth.

- Growing production in newer oil fields is expected to boost the hydrocarbon sector 's output in 2024 to 1.7 percent, [6] and ensure oil value-added growth until 2026. Subsequently, aging oil fields will stall growth in the hydrocarbon sector over the medium term, leaving the sector's average growth at 0.9 percent in 2024–2029, as an expanding LNG sector, fueled by foreign

[3] Banks' holdings of government debt increased from 10 percent of total assets in 2019 to 26 percent by 2023.

[4] Given the relatively small size of the banking system, a default value of 5 percent is applied to the government balance sheet to account for potential financial sector crisis (Ref. Debt Sustainability Analysis).

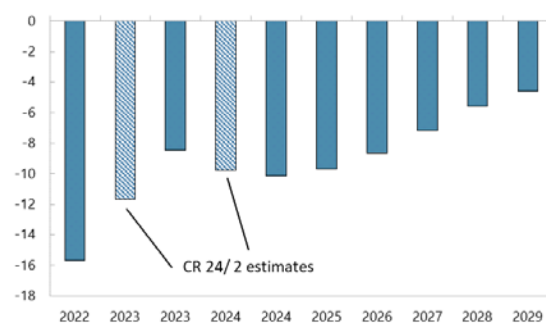
[5] Due to insufficient documentation and subject to judicial order for resumption, COBAC closed in December 2023 the liquidation of the banking activities of an insolvent bank, while the judicial liquidation of its non-banking activities continues. According to the current regulations, liquidation is separated for assets and liabilities stemming from banking and non-banking activities. Each portfolio segment is treated separately.

[6] Growth in the hydrocarbon sector is projected to remain below earlier projections, due to a downward correction in oil production reflecting the recent experience with persistent technical difficulties at some oil fields.

investment, is expected to prop up growth rates only marginally. [7] With the 2023–2024 floods slowing growth in agriculture, forestry, trade, transport, and utilities, the non-hydrocarbon sector is anticipated to grow by 3.2 percent in 2024, 0.6 percentage point slower than projected in CR 24/2, bringing total GDP growth to 2.8 percent. Over the medium term, a broad-based diversification is expected to deepen (Selected Issues Paper (SIP) 4)), which combined with an improved business environment could maintain non-hydrocarbon sector growth on a similar trajectory as previously projected, reaching 4.7 percent by 2029.

- The non-hydrocarbon primary fiscal deficit is projected at 10.1 percent of non-hydrocarbon GDP at end-2024, slightly higher than in CR 24/2 to mitigate the impact of the 2023-2024 floods (0.3 percent of non-hydrocarbon GDP) and provide ample fiscal space to reverse the under-execution of social spending and critical infrastructure projects. This, combined, with lower energy subsidies (a decline of 1.2 percent of non-hydrocarbon GDP relative to 2023) will contribute to enhance the composition of public spending towards more poverty and growth-enhancing outlays. Going forward, medium-term fiscal consolidation will be supported by a stepped-up non-hydrocarbon revenue mobilization, coupled with a more moderate growth in nominal public spending relative to the non-hydrocarbon GDP, enabling the non-hydrocarbon primary deficit to shrink to 4.6 percent of non-hydrocarbon GDP by 2029 (Text Fig. 2).

Text Figure 2. Non-Hydrocarbon Primary Deficit
(Percent of non-hydrocarbon GDP)



Source: Congolese authorities and IMF staff calculations.

- After its 2023 peak, inflation is projected to decline in 2024 to 4 percent on average, primarily due to the expected slowdown in cost pressures from previous high energy prices and the decrease in commodity prices. Inflation is expected to subsequently gradually slide back to the CEMAC target of 3 percent by 2027.

- The current account surplus is projected to shrink to 2.1 percent of GDP in 2024, reflecting shortfalls in oil production and exports due to technical problems that are only partially offset by low non-hydrocarbon sector imports. The current account surplus is projected to decline in the medium term, turning into a deficit from 2028, partly reflecting the projected decline in oil prices.

10. The balance of risks remains tilted to the downside (Annex I), including: i) escalating global conflicts, and heightened volatility in oil prices and production amid low-carbon transition, potentially harming the economy and fiscal and external balances; ii) reversing or delaying fuel subsidies reform, jeopardizing fiscal sustainability, limiting social spending, and consequently

[7] Despite the first liquified natural gas (LNG) shipment stemming from the newly commenced production, the economic impact of the nascent sector remains relatively small.

dampening investment and economic growth; iii) insufficient progress on Congo's fiscal and debt management reforms; and iv) frequent climate events that could, coupled with delayed adaptation strategies, further weaken economic resilience and Congo's fiscal position.

Authorities' Views

11. The authorities perceive the soft 2023 growth as temporary and expect the hydrocarbon and non-hydrocarbon sectors to pick up momentum over the medium term. The authorities see upside risks to the non-hydrocarbon growth in the medium term, assuming a strong acceleration of agriculture, manufacturing, construction, and trade, supported by public investment, the repayment of domestic arrears and efforts to make the country more attractive to investors. For the hydrocarbon sector, the authorities expect a growth acceleration, as production in new oil fields overcompensates the declining yield of mature oil fields, and technical difficulties subside.

PROGRAM PERFORMANCE

12. Program performance has remained broadly satisfactory (Text Fig. 4). Lower-than-expected expenditures for investments and social spending, as well as the fuel subsidy reform reduced the basic non-hydrocarbon primary deficit more than anticipated (about 1 percentage point of non-hydrocarbon GDP lower than the program target) and required lower net domestic financing. As a result, respective program thresholds were met with comfortable margins (Table 12). However, the zero target for the continuous performance criterion (PC) on external arrears accumulation was breached, on account of delayed payments on external debt services totaling CFAF 28.5 billion (0.4 percent of non-hydrocarbon GDP) exceeding the 30-day grace period. [8] A waiver of non-observance is requested based on the limited size of the breach (the unsettled new arrears amount to 0.01 percent of non-hydrocarbon GDP) and completion of the reorganization of the Caisse Congolaise d'Amortissement's (CCA)— a missed end-March 2024 structural benchmark (SB) elevated to a prior action (PA) (Table 14). With no new non-concessional and new collateralized external debt, all other PCs have been met. Standard continuous performance criteria related to Article VIII of the Fund's Articles of Agreement (Technical Memorandum of Understanding (TMU) ¶5) were all met as well.

13. All indicative targets (IT) were met, except for those on social spending and non-hydrocarbon revenue. The composition of the 2023 fiscal adjustment remains a concern, as the IT on social spending was missed in 2023 (Text Fig. 3 and ¶14). In response, the authorities agreed to step up cash transfers to the most vulnerable households through a proposed new SB requiring by end-July 2024 at least CFAF 6 billion to be disbursed to the new national social safety net program supported by the World Bank (Table 13b, ¶25). Concerning other ITs, the floor on non-hydrocarbon

[8] All newly accumulated external arrears up to June 2024 (CFAF 28.5 billion), except for the ones to Libya (CFAF 0.7 billion) and two minor ones to a multilateral creditor (CFAF 0.2 billion), have been repaid.

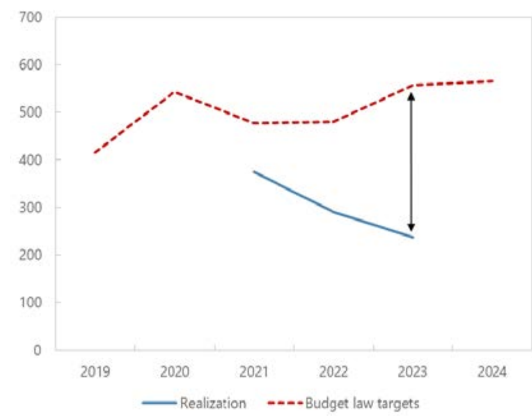
revenues was narrowly missed, predominantly due to lower-than-expected revenues from indirect taxes.

Text Figure 3. Social Spending: Budget Targets Versus Realizations

Social spending is declining, consistently falling short of budget targets…

Social Spending

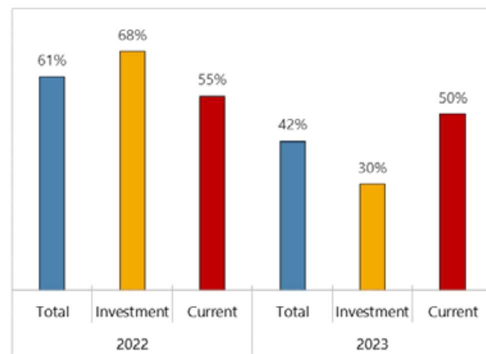
(CFAF Billions)



…and deprioritizing investments.

Social Spending Execution Rates

(percent)



Source: Congolese authorities.

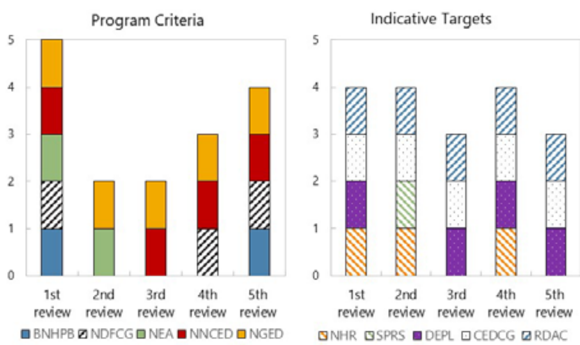
14. Progress with structural reforms has remained slower than expected (Text Fig. 4.2). The authorities met the SB on the publication of a quarterly debt bulletin, only one out of three SBs due by end-March 2024. Two other SBs due end-March were not met. First, the enactment of hydrocarbon-related VAT laws eliminating VAT exemptions has not been completed. The draft decree has been prepared and is awaiting approval by the Council of Ministers. Consequently, this SB is proposed to be postponed to end-September 2024. Second, substantive progress had been made by March 2024 on the CCA's reorganization, but the training of the new staff and the appointment of the directors were completed with delays (¶23). The SB on conflict-of-interest declarations was not met on time (end-April 2024), reflecting delays in setting up the registry for their publication and addressing potential privacy concerns. Elevation of the two latter SBs to PAs aims to ensure sufficient structural reform progress to support the objectives of the ECF arrangement (Table 14). The 2024 action plan for implementing remaining recommendations from the 2018 governance diagnostic report, which is supported by IMF TA, is on track to be completed by end-June 2024. The authorities' efforts to fully operationalize the cash management, financial reporting, treasury, and procurement modules of the financial information system (SIGFIP) (SB, end-June 2024) face challenges from problems with operational capacity and technical difficulties, notably the capacity of the system to handle commitment authorizations and payment appropriations, including following the move to program budgeting on a pilot basis since the 2024 budget.

15. To accommodate the authorities' limited capacities, it is proposed to refocus the SB on the completion of SIGFIP's accounting and program budgeting modules by the end of November 2024 (Table 13b) as a priority. [9] Concerning the slower-than-expected progress with structural reforms, institutional coordination challenges acted as main drivers for related capacity constraints, calling for improved planning and additional capacity support in the implementation phase of reforms.

Text Figure 4. Program Performance 2022–2024

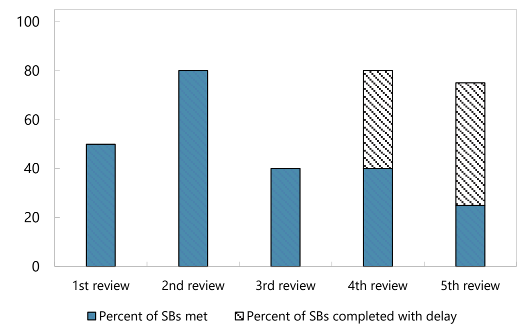
Program performance recovered in the fifth review….

Cumulative Number of Criteria Met



…while progress with structural reforms remains delayed.

Fraction of SBs Met
(Percent)



Notes: BNHPB = basic non-hydrocarbon primary balance; NDFCG = net domestic financing of the central government, NEA = new arrears on external debt contracted or guaranteed by the central government; NNCED = new non-concessional external debt; NGED = new external debt contracted by or on behalf of the central government guaranteed with natural resources; NHR = non-hydrocarbon revenues; SPRS = social and poverty-reducing spending; DEPL = disbursements on external loans; CEDCG = concessional external debt contracted or guaranteed by the central government; RDAC = repayment of domestic arrears. Continuous program criteria are evaluated on a continuous base for the period in between two ECF review. SBs are met, if met at the target date. If completed later but before the IMF Board date for the respective ECF review, SBs are reported as completed with delay.
Sources: Staff assessment and calculation.

POLICY THEME 1 – FISCAL POLICY

Congo needs to continue advancing fiscal consolidation, while safeguarding critical development spending, particularly in the social sector. Notwithstanding recent success in reducing the non-hydrocarbon primary deficit, persistent consolidation efforts would benefit from phasing out tax and customs exemptions, recovering tax arrears, strengthening non-tax revenues, and continuing with fuel price reforms. Prioritization of social expenditures could attenuate inequality issues and promote social inclusion. Public investment spending should continue at a level commensurate with sustained growth momentum and a reduction of total public debt.

[9] The Fund, the World Bank, and the French Development Agency support these efforts with technical assistance, including IMF missions on cash management, revenue forecasting capacities, and budget preparation.

16. Fiscal policy focusing on revenue-based consolidation and spending prioritization will support higher, more resilient, and inclusive growth and contribute to addressing vulnerabilities around high public debt.

- Continued medium-term fiscal consolidation combined with significant non-oil revenue mobilization is needed to reduce external debt and repay domestic arrears—permitting public debt to decline from 99 percent of GDP in 2023 to 61.1 percent of GDP in 2029. While in 2023 the unexpected strong consolidation is mainly attributable to temporary factors, fiscal consolidation should in the future focus on generating additional tax revenues, especially from the non-hydrocarbon sector (SIP 2). If complemented by spending reprioritization in favor of social sectors, such adjustment plans could provide a sound base for higher, resilient, and inclusive growth.

- The execution rate of social expenditures dropped to 42 percent of 2023 budget plans, from 61 percent in 2022 (Table 15). Budget execution was even lower for access to infrastructure (14.8 percent), promotion of woman (26.8 percent), social protection and employment (36.9 percent), and basic healthcare and fight against disease (38 percent). The authorities are working to identify bottlenecks to social spending execution and committed to take swift actions to address them. This would help reverse past shortfalls and contribute to human capital accumulation, the attenuation of social fragility and inequality, and more inclusive and sustainable growth.

- Debt continues to be assessed as "sustainable", though it is classified as "in distress" pending progress on avoiding recurrence of external arrears and addressing uncertainty about the magnitude of domestic arrears. Risks around domestic debt are significant due to (i) frequent upward revisions of their stock following audits; (ii) poor debt management; and (iii) ongoing uncertainties regarding the size of contingent liabilities relating to social security and state-owned enterprises (SOEs). The audit of old arrears is progressing with CFAF 125 billion (1.4 percent of GDP) out of the 2019-2020 commercial arrears stock validated. Efforts are underway to prevent further accumulation of domestic arrears by (i) strengthening expenditure control and cash management with the support of IMF TA; (ii) budgeting the wage bill more prudently; and (iii) carrying out annual inventories of social debts (MEFP ¶9).

17. Fiscal consolidation will in 2024 return to the original path anticipated under the ECF arrangement. Subsequent to the temporary overperformance on the 2023 deficit (¶6), the 2024 non-hydrocarbon primary deficit is anticipated to reach 10.1 percent of non-hydrocarbon GDP (¶9), implying a minor 0.3 ppt slippage compared to the trajectory anticipated in CR 24/2 that mainly reflects the fiscal response to the 2023-2024 floods (SIP 7). Capital expenditure will be restored to the level anticipated in CR 24/2. Consolidation momentum will be carried by maintaining spending discipline, notably by the full-year effect of the 2023 fuel subsidy reform. Social expenditures will be prioritized, supporting economic development and vulnerable groups. Non-hydrocarbon revenue is projected to increase slightly in 2024, driven by non-tax revenues, consistent with a gradual switch to revenue-based fiscal adjustment and profiting from fiscal measures introduced in 2023 (Text Table 2). [10] Revenues could be further bolstered by continued customs administrations. [11]

18. Fiscal consolidation should continue over the medium term, targeting a non-hydrocarbon primary deficit of 9.7 percent of non-hydrocarbon GDP in 2025, and improving further to 4.6 percent by 2029. Spending cuts—especially to current spending—will remain the main driver, complemented by enhanced tax effort. The level of social transfers will be preserved, while moderation of public investments would be required to ensure sustainability of public debt. Additional revenue measures would help generate additional tax revenue, estimated at 2.5 ppts of non-hydrocarbon GDP. Such measures could include a full removal of (i) Covid-related reductions in corporate income taxes (0.3 ppt of 2024 non-hydrocarbon GDP); (ii) VAT exemptions granted for consumption goods not compliant with CEMAC regulations (0.8 ppt of 2024 non-hydrocarbon GDP); and (iii) all VAT exemptions granted under the resilience plan (1.4 ppts of 2024 non-hydrocarbon GDP). [12] Non-tax revenues can be additionally strengthened by ensuring regular dividend payments by key SOEs, and better tax administration, including improvements with tax compliance and the extensive use of digital invoicing (SIP 2).

Text Table 2. Republic of Congo: 2024 Impact of Key Fiscal Measures Introduced in 2023

Revenue Measures	Amount Included in Baseline Projections (Percent Non-Oil GDP) 2024	Details	Note
Operationalize the phasing out of the Resilience Plan	0.5	This would imply increasing the import duty on imports of basic products and the IT fee from 0% to 5% and 2% respectively.	Estimates based on Authorities Tax Expenditures Data
Operationalize digital taxation	0.2	This is a combination of three related reforms on digital taxation: (i) the single and mandatory taxpayer identification (NIU), (ii) the digital interconnection between tax and custom administrations and the treasury and (iii) the E-Tax System.	Estimates based on 2020 Tax Expenditures TA
Operationalize the digital invoicing system	0.1	Transactions will be subject to standardized invoices to facilitate VAT collection.	Estimates based on 2020 Tax Expenditures TA
Comply with CEMAC guidelines on excise taxes	0.1	Gradual increase in excise taxes to comply with CEMAC guidelines by 2027.	
Remove fuel-related VAT exemptions	0.2		
Total Fiscal Yields	1.1		

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

Notes: The revenue impact of scaling back the Resilience Plan at customs is based on detailed data shared by the authorities. The other revenue yields are based on data/estimates from the latest FAD TA on Rationalizing Tax Exemptions.

[10] Full application of these measures would generate by 2029 two additional percentage points of tax revenues, pushing those in 2029 to 15 percent of non-hydrocarbon GDP.

[11] There have been reports about fraud and corruption resulting in CFAF 3 billion leakage of customs revenue in late 2023.

[12] Revenue yields are estimated based on the authorities' data and FAD TA report on Rationalizing Tax Exemptions in Congo.

19. Available fiscal space should prioritize social, development and climate-friendly spending. The gradual removal of fuel subsidies was facilitated by a cumulative 30 percent increase in gasoline and diesel prices in November 2023. Continued fuel price reforms, along with adequate mitigating measures, with the objective to ultimately achieve an automatic pricing mechanism (supported by IMF TA), will complement fiscal consolidation on the expenditure side. Reprioritization in favor of social sectors and climate resilience is crucial, with, for example, targeted cash transfers replacing untargeted tax exemptions (Box 1).

Box 1. Congo's Social Protection System and Mitigation Measures Amidst Fuel Subsidies Reform[1]

The coverage of Congo's social protection system remains limited at eight percent of the poorest households. Spending on social assistance for the vulnerable has ranged between 0.3 and 0.5 percent of GDP, trailing the Sub-Saharan African (SSA) average of 1.5 percent of GDP.[2]

Social safety nets have predominantly relied on externally funded projects, including the expired Lisungi Safety Nets System Project and the Lisungi Emergency COVID-19 Response Project, now known as ''The Social Protection and Youth Productive Inclusion Project (SPYPIP)'', both mainly financed by the World Bank. The predominantly AFD-funded Telema project focuses on the economic integration of vulnerable populations.

In 2023, with World Bank support, the government adopted a permanent national safety net program (Programme National des Filets Sociaux, PNFS), aiming to establish a sustainable social protection system, thereby broadening support to the poor and vulnerable. Implementation has been slow, delaying the execution of the CFAF 12 billion allocated under the 2024 Budget. The World Bank's Development Policy Financing series recommends extending the PNFS coverage to 40000 households by 2025, of which 9250 are headed by females.

The SPYPIP is expected to continue providing social safety net transfers to new beneficiaries,[3] thereby mitigating gaps between the expiration of the Lisungi Safety Nets System project and the effective start of cash transfers under the PNFS. SPYPIP 's objectives include offering cash transfers in selected rural areas and promoting the economic activity of the young in four cities. The project is currently operational and is expected to start cash transfers distribution mid-2024.

In parallel, the government has announced mitigation measures to help vulnerable households cope with higher fuel prices (SIP 3), yet implementation has been slow. These measures primarily target public transportation, including abolition of road tolls, partial payment of the business tax, and reduced fees for river transportation. Mitigation measures extend also to education, including the accelerated processing of student scholarships applications, infrastructure, mainly through development of urban roads and to health services, particularly through the operationalization of the Universal Medical Insurance Fund. Resources allocated to cash transfer programs under Lisungi have been increased by CFAF 2 billion, although effective delivery to vulnerable households remains a challenge. These resources will be implemented by the SPYPIP and aim to support approximately 17,778 identified beneficiary households in Brazzaville and Pointe-Noire, providing a one-off cash transfer of CFAF 100,000 per eligible household, with eligibility determined through the social registry and a counter-verification survey.

[1] The IMF report No. 23/271 includes a comprehensive analysis of the various dimensions of social spending.

[2] World Bank.

[3] This program will not benefit all previous beneficiaries of the closed Lisungi program, as the government perceives social transfers as temporary means for enhancing recipients' capacity to generate income and has hence imposed a two-year limit on participation in social transfer programs.

20. Perseverance in structural reforms will promote medium-term fiscal adjustment. Given the weak and fragile institutional capacity of the country, fiscal consolidation efforts should be combined with transformative structural reforms to entrench fiscal discipline. Priority fiscal reforms include: (i) developing fiscal plans within a medium-term framework—taking advantage of the IMF TA on medium-term budgeting—to promote credibility; (ii) boosting spending efficiency, taking stock of IMF TA support in PFM, and rationalizing non-priority expenditure; and (iii) adopting and/or operationalizing a medium-term revenue strategy (MTRS) to improve tax capacity and set the stage for an ambitious revenue-based fiscal adjustment plan.

Authorities' Views

21. The authorities agree that fiscal consolidation is essential for reducing public debt, while still maintaining adequate social and investment policies. They underscored the importance of balancing fiscal consolidation with economic growth recovery and the population's welfare. In this context, authorities highlight the sizeable need of public investment in human, social and physical capital to achieve the goals of the 2022-26 National Development Plan. The authorities continue to strive for a faster execution of budgeted social spending, attempting to strengthen the efficiency of the disbursement process through better coordination with line ministries. Congolese authorities are optimistic concerning additional revenues to be raised in 2024 and beyond, as they anticipate further progress with the broadening of the tax base and interlinking the information management systems of the customs administration, tax authorities, and the treasury.

POLICY THEME 2 – PUBLIC INVESTMENT AND DEBT MANAGEMENT

The recurrent accumulation of external arrears and an elevated and volatile level of public debt call for additional improvement in debt management, including enhanced transparency on contingent debt, prudent planning and management of domestic debt issuance, and improved coordination among all parties involved in debt management.

22. Uncertainties around the size of social and other domestic arrears cloud prospects for public debt reduction (SIP 1). Congo continues with accelerated repayment of its external public debt that has dropped in 2023 by 3.7 percentage points to 39.4 percent of GDP, with additional reductions of 4.1 and a cumulative 16.7 percentage points projected for 2024 and up to 2029, respectively. Congo's domestic debt is, however, driven by two opposing factors: the ongoing repayment of domestic arrears, amounting to roughly CFAF 450 billion in 2023 (5.2 percent of GDP), and the identification of new arrears and contingent liabilities through audits. In 2023, domestic debt surged by approximately 10 percentage points of GDP to reach almost 60 percent of GDP, with most of the increase due to the inclusion of newly recognized social arrears. Future increases are anticipated due to the ongoing audit of domestic arrears from 2021 to 2023 and potential contingent liabilities associated with other public entities, including the social security and SOEs. Growing treasury issuance helped cover the country's substantial financing needs in 2023 (Table

7), [13] but pushed yields slightly up—to 6.65 percent for treasury bills and 9.35 percent for treasury bonds, while average maturities shifted to the shorter end, accommodating banks' preference for more liquid instruments. [14]

23. Debt management reforms need to continue supporting well-coordinated and timely debt service. The restructuring of the debt management office CCA has been completed. The new CCA organigram was approved by the Council of Ministers (SB, end-December 2023). All laws related to this reorganization have been adopted, a new manual procedure has been finalized by end-March 2024. However, the hiring of adequate staff and their training were not completed on time (SB end-March 2024, subsequently PA). To further increase debt transparency, ongoing efforts aim to establish a comprehensive assessment of government debt in the form of a single debt database. This involves finalizing ongoing arrears audits, conducting thorough verification of social debt, and monitoring the debt of the 10 largest SOEs. These endeavors have resulted in the release of a comprehensive quarterly debt bulletin covering stock and flow data by the end of March 2024 (SB, Table 13a). The recurrent accumulation of new external arrears underlines that diligent monitoring of debt service falling due remains imperative, despite the recent upgrade of the task force charged with improving the coordination needed to ensure timely debt service.

24. Accelerated modernization efforts to render PFM practices more efficient and transparent would address challenges with budget execution and budget risks. In 2024, Congo started with program budgeting and began transitioning to accrual and asset accounting. Continuing with a brisk roll-out of still missing modules of the financial information system SIGFIP's (SB end-June 2024, Table 13a; proposed new reformulated SB end-November 2024, Table 13b) should attenuate the challenges Congo faces with budget execution. Further progress in interlinking the information management systems of the customs administration, tax authorities, and the treasury will support revenue planning and attempts to shore up non-hydrocarbon revenues. The recent introduction of a systematic methodology for the selection of public investment projects (SB end-December 2023), including climate aspects, should promote resilience, efficiency, and adequacy of public investments.

Authorities' Views

25. The authorities agree with the detrimental impact of newly materializing domestic arrears on the efforts to reduce total public debt and the need for further improvements of public financial management practices. They will carefully weigh any future domestic funding against its impact on the country's total debt level and the associated fiscal costs. They also acknowledged issues with timely debt service payments leading to domestic and external arrears

[13] Gross issuance reached CFAF 1.7 trillion (19 percent of GDP) in 2023, up from 9 percent in 2020 and representing more than one third of the region's total issuance.

[14] Uptake remained sluggish with the average 2023 subscription rate at 56 percent, and occasionally even lower for longer maturities. In particular, deviations from the initial subscription calendar and insufficient notice periods for tender participation discouraged demand on the margin.

and will continue with reforms aimed at improving public debt management, while also pushing general PFM reforms forward.

POLICY THEME 3 – STRUCTURAL AND GOVERNANCE REFORMS

Accelerated progress with implementing structural and governance reforms would prepare the ground for more inclusive and climate-resilient growth and facilitate additional diversification momentum.

A. Governance, Anti-Corruption, and Transparency Reforms

26. Effective implementation of reforms to advance in the areas of governance, anti-corruption, financial integrity, and transparency remains a prerequisite for Congo's economic development. The 2018 governance diagnostic report identified weaknesses across various state functions, and called for upgrading the anti-corruption architecture, the AML/CFT framework, enhancing transparency in natural resource management, and strengthening public procurement procedures and PFM oversight mechanisms. Subsequent progress in establishing the legal architecture included (i) the publication of conflict-of-interest declarations of senior officials, (ii) the operationalization of the anti-corruption agency (HALC) and the development of the anticorruption national strategy, (iii) the creation of a consolidated land registration desk in 2022 and the redesign of the corporate registry, (iv) the publication of relevant laws and recruitment of additional magistrates for lower-level courts, and (v) the law strengthening the institutional autonomy of the Court of Accounts.

27. Recent Fund TA taking stock of progress made against the recommendations of the 2018 Governance diagnostic report found that despite progress on legal frameworks, significant gaps in the implementation of anticorruption and transparency reforms remain.

- Increased transparency, particularly on SOE and natural resources management, and more effective investigation, prosecution, and adjudication of corruption crimes would be crucial to strengthen the rule of law and accountability. Systematic publication of reports from the anticorruption and transparency commissions, and adoption of the national anticorruption strategy would be important initial steps.

- To increase accountability and predictability, the rule of law could be strengthened by accelerating the implementation of legislation on anticorruption and transparency and publishing judicial statistics and decisions from the Supreme Court, including on corruption cases (MEFP ¶36).

- Building upon the recommendations from Congo's Mutual Evaluation Report prepared by the Action Group against Money Laundering in Central Africa (GABAC), specific areas for improvement of the AML/CFT regime have also been identified. Those include the need i) to improve availability for competent authorities of information on the beneficial owners of legal entities and arrangements, ii) to strengthen the Financial Intelligence Unit (FIU), and iii) to implement a risk-based AML/CFT supervision of the non-financial designated professions subject to the AML/CFT framework.

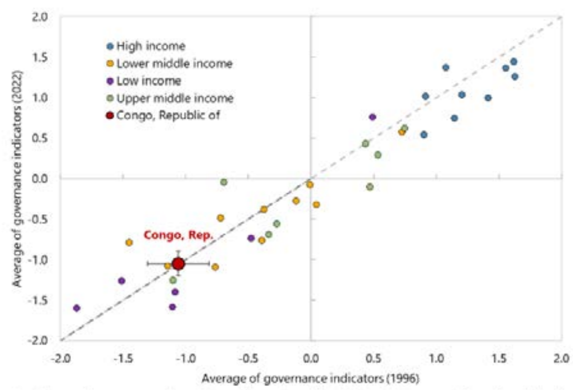
- To enhance transparency on natural resource and SOE management regulations to implement the Code of Transparency remain key, also as they would facilitate the mandate of the transparency commission (CNTR). Disclosure of audits produced by the Court of Accounts, and establishment of fully EITI-compliant license registers for extractive industries as required by law are yet to be completed (MEFP ¶31).

- Finally, all legal steps needed to ensure the full operational functioning of the single treasury account (TSA) should be completed. These include also the final signing of the convention between all the region's member states and the BEAC. These measures will also help improve Congo's unchanged low position in the distribution of governance scores across a group of selected countries (Text Fig. 6) that highlights the virtue of additional reform efforts. Moreover, the publication of an action plan (SB end June 2024) informed by Fund TA will help inform next steps and reaffirm the authorities' commitment to the governance, and anti-corruption agenda.

Text Figure 6. Governance Indicators

Average level of Worldwide Governance Indicators (WGI) for selected countries (Grouped by level of income)[1]

Congo's governance indicators scores persist at the lower end of the spectrum.



Note: The error bars correspond to a 95% confidence interval for 1996 and 2022, respectively and parallel to the axis.

Sources: Worldwide Governance Indicators and IMF staff calculations.

[1] The WGI feature six aggregate governance indicators (Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption) for over 200 countries and territories over the period 1996–2022. This graph illustrates the average score for governance performance, spanning a range from approximately -2.5 (indicating weak governance) to 2.5 (representing strong governance).

B. Economic Diversification and Inclusive Growth Promotion

28. Medium-term success with Congo's diversification strategy requires fiscal space, a conducive business environment, and careful spending prioritization. Continued fiscal consolidation can over the medium term reduce public debt and thereby increasingly restore the capacity to support diversification through strategic investments. Governance reforms may help to address lingering impediments to economic diversification (SIP 4), such as lackluster investment (Fig 1.5), weak human and physical capital, deficiencies in the business environment, and administrative red tape. Prospective fiscal space, regained access to global capital markets, and ultimately greater confidence of domestic and foreign investors and entrepreneurs would provide much needed growth impetus.

29. Prioritizing human capital investment and protecting vulnerable groups can mitigate inequality and promote diversified, sustainable, and inclusive growth. Notwithstanding progresses made towards several sustainable development goals (SDGs), issues around the quality of education, access to energy, justice, and strong institutions intensified since the 2021 Article IV (Annex V). Avenues for additional progress include:

- Timely executed social spending targeted at i) addressing education deficiencies, ii) key weaknesses in physical and social infrastructures, and iii) social protection would contribute to overcoming challenges related to inequality. Brisk progress towards establishing a social protection system is hence recommended (Box 1).

- Transitioning the labor force participation of Congolese women from vulnerable to resilient employment would reduce gender bias, support diversification, and bolster domestic demand. [15] Prioritized social expenditures targeted at vulnerable groups should therefore include education and vocational training measures enhancing women's stand in the competition for stable formal sector jobs. [16]

- Continued promotion of financial deepening, financial inclusion (SIP 5), and digitalization will underpin economic growth, broaden the tax base, and reduce inequality. In line with the regional financial inclusion strategy, key measures include implementing regulatory frameworks and policies supporting financial inclusion, addressing the substantial financial infrastructure gap, advocating for digital payment adoption, improving financial literacy, and promoting the expansion of microfinance initiatives.

- Intensified governance reforms, particularly to strengthen the judiciary and the protection of property rights, can promote the business environment, thereby adding to inclusive growth prospects on the supply side. A rising penetration of mobile phone and internet services point to progresses made with the digitalization of the business environment. Business conditions profit also from continued improvements of business inspection practices and their legal base, reforms regarding competition and consumer protection laws, the implementation of the 2022 public-private partnership (PPP) law, and the encouragement of concession agreements for distribution and generation in the electricity sector. [17]

[15] According to ILO estimates, around two-thirds of Congolese women participate in the labor force, a similar fraction as men, but 90 percent of female workers face vulnerable employment, compared to some 60 percent for men. Cf. www.genderdata.worldbank.org.

[16] The WB recently completed two projects on school education and vocational skills developments, and it is currently implementing a new project supporting reforms in the education sector which also target increased school enrollment, especially for girls. Targeting of additional education-related social expenditures on the female population, especially in vulnerable population groups, for example within the Social Protection and Youth Productive Inclusion Project (SPYPIP), would further support an avenue to easier access of women to the formal labor market.

[17] The WB continues to support projects related to this topic (Informational Annex).

C. Vulnerabilities to Climate Change and Resilient and Sustainable Growth

30. Congo remains susceptible to natural disasters related to climate change and associated fiscal costs (SIPs 6 and 7). The authorities reacted to the 2023-2024 floodings with a CFAF 16 billion emergency plan (0.2 percent of GDP) focusing on safe food and shelter, with funding sources still to be identified. With economic damage sizeable in affected areas, [18] the need for additional social transfers is projected to generate up to 0.4 percent of GDP in fiscal costs (SIP 7). Long-term damages from similar disasters in lost physical and human capital may, however, weigh on productivity, growth potential, and equality (SIP 6).

31. Suitable mitigation and adaptation strategies will encompass PFM reforms, climate-resilient investments, and the preservation and development of human capital. Congo will need to adapt to climate change risks by continuing to promote resilient agriculture and climate-proof infrastructure, adjusting urban planning, strengthening fiscal buffers, integrating climate change considerations into government systems, including planning and public financial management, and responsibly managing its natural resources (SIP 6). Respective efforts include the already started valorization of gas, through exporting LNG instead of flaring, and improved forest management, including preservation, [19] as well as a lengthening of the domestic value chain for forestry products. Expanded and robustly funded social safety nets, emergency response plans, and preparatory education can help preserve the health and labor productivity of vulnerable groups and the population in general. Continued fuel subsidy reforms promise fiscal space for needed mitigation and adaption investments, as well as reduced emissions.

32. Staff engaged in discussions on potential reform measures addressing risk related to climate change. Possible adaptation reforms envisaged include strengthening fiscal buffers to facilitate disaster response, improving risk monitoring and crisis preparedness, amendments to construction codes for climate smart urbanization, and integrating climate change considerations into fiscal planning and PFM. Mitigation related reforms could focus on integrating renewables into the energy master plan and strengthening protections for forested areas through supporting reduced impact logging, alternatives to slash and burn activities, as well as improved and more transparent forestry concession management. Climate-finance related measures appear, apart from those involving highly concessional or private sector funding, currently premature, given Congo's elevated public debt and the limited depth of local financial markets. Meanwhile progress with Congo's pending structural reforms is paramount to strengthen the authorities' capacity to navigate an intensified reform agenda.

[18] With more than 2300 hectares, or some 2 percent, of the cultivated area temporarily flooded, the inundation will also weigh on growth in agriculture, temporarily challenging ongoing diversification efforts.

[19] Increased participation in and development of carbon credit and emission reduction schemes can foster respective incentives.

Authorities' Views

33. The authorities concurred with staff's assessment and committed to efforts ensuring additional progress with structural reforms while also pointing to a track record of progress made. Congo's government is aware that structural reform progress has been slow, with multiple challenges remaining to be resolved. They, however, emphasize the progress made in the areas of transparency, anti-corruption efforts, strengthening of the judicial system's capacity, transitioning to program budgeting, subsidy reforms, debt management, investment planning, financial sector development, financial inclusion (SIP 5), and streamlining of the time and cost of business creation. Congo's authorities see financial constraints limiting their action space concerning the mitigation of and adaptation of climate change but would welcome respective concessional funding or grants. They remain committed to promoting women's position in the economy, in particular within their efforts for inclusion of socially vulnerable groups.

PROGRAM MODALITIES AND OTHER ISSUES

34. Program financing. The ECF arrangement is fully financed with firm commitments over the remainder of the Fund-supported program. Budget support from the World Bank and France will, in combination with financing under the ECF arrangement, help to meet the substantial net financing needs through December 2024 (Text Table 3). Given large uncertainties surrounding oil revenues, such support is critical for continuing reform implementation and building buffers, including the accumulation of reserves. Financing risks are additionally mitigated by recent reductions of fuel subsidies, recent successes in and plans for expanding non-hydrocarbon revenues, and the continuing spending discipline.

35. The authorities requested a waiver for non-observance of the continuous PC on the zero accumulation of new external arrears. Corrective actions to address the breach included the elevation of the missed SB on the reorganization of CCA to a prior action. This will help address weaknesses in debt management by enhancing debt reporting and monitoring, ensuring timely payments of external debt obligations, and supporting prudent borrowing through the operationalization of the medium-term debt strategy. Together with fiscal consolidation, the reorganization of CCA is critical for the reduction of Congo's elevated public debt level.

36. The second PA on the publication of high officials' conflict-of-interest declarations is a critical milestone on the way to implementing more transparent governance and an effective fight against corruption. Enhancing transparency is a precondition to promote the business environment and more effective governance.

Text Table 3. Republic of Congo: Financing Needs and Sources, 2022–29
(Millions of U.S. dollars unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029
Financing Needs	**8173**	**8543**	**8853**	**8562**	**8393**	**8142**	**8033**	**8193**
Current Account Deficit (excl. grants and oil exports)	6724	6576	7190	7163	6952	6856	7021	7277
Amortization of PPG External Debt	996	999	846	532	358	321	365	346
Other net financial flows	485	1065	643	773	910	749	461	178
Net Change in Reserves, excluding SDR drawdown	-33	-98	174	93	173	217	185	391
Financing Sources	**8108**	**8361**	**8590**	**8561**	**8391**	**8143**	**8033**	**8193**
Oil Exports	8985	7380	7419	7232	7021	6821	6745	6856
Grants	209	107	92	138	150	160	174	190
Other Transfers	3	119	96	111	122	133	84	55
Project Loans (disbursement)	162	102	256	268	279	214	220	222
FDI	-1251	654	727	812	820	815	810	864
Use of SDR Allocation	0	0	0	0	0	0	0	5
Financing Gap[1]	65	182	263	1	2	-1	0	0
Budget Support[2]	102	127	178	0	0	0	0	0
IMF-ECF	173	175	86	0	0	0	0	0
Residual Gap	-210	-120	-2	1	2	-1	0	0
Memo items:								
IMF-ECF								
(in percent of total donor inflows)	32	45	17 ...	...	...	...	...	
(in percent of budget support and ECF financing)	63	58	33 ...	...	...	...	...	

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.

37. Monitoring of program performance. Program performance will continue to be monitored through the ECF arrangement's final semi-annual program review scheduled for late 2024 based on performance criteria (PCs, Table 12), structural benchmarks (Tables 13a and 13b), and two prior actions (Table 14). The authorities requested modifications of the end-June 2024 performance criteria for the basic non-oil primary balance and government's net domestic financing to reflect additional fiscal costs generated by the 2023-2024 floods and slower-than-expected accumulation of deposits at BEAC. In addition, some end-June 2024 ITs were requested to be modified to align with more prudent expectations concerning non-hydrocarbon fiscal revenues and faster-than-expected repayment of domestic arrears.

38. Congo's capacity to repay the Fund is assessed to be adequate but subject to significant risks (Figure 2, Table 10). Total credit owed to the IMF will peak at 3.2 percent of GDP in 2024, reaching its ten-year-horizon peak level relative to public external debt (9.7 percent) and ranging at 46 percent of gross international reserves close to top exposures projected for countries with UCT arrangements. [20] Its share in Congo's total external debt remains below 10 percent (Text Table 4). Debt service to the IMF is expected to remain moderate compared to other countries

[20]The strong increase in this measure is driven by a reduction of gross international reserves due to lower-than expected accumulation of reserves and net foreign assets.

with UCT arrangements. [21] Potential adverse oil price shocks, natural disasters, and a possibly faltering commitment to social and governance reforms constitute downward risks as they would weigh on growth, exports, and public revenues and thereby challenge Congo's capacity to repay. A strong track record of repaying the Fund, repeated commitment to continued reforms, and recent progress made with fiscal consolidation, however, contribute to the mitigation of those risks. While they are not imminent, additional fiscal consolidation—notably by accelerating the phasing out of the resilience plan, would be needed should repayment risk materialize.

39. External Arrears. Since December 2023, CFAF 28.5 billion in new external arrears have been accumulated, of which CFAF 27.6 billion have been repaid by early June 2024. [22] The remaining unsettled arrears through end-June 2024 are owed to one bilateral (CFAF 0.7 billion, Libya) and one multilateral creditor (CFAF 0.23 billion, Arab Bank for Economic Development in Africa). Meanwhile Congo continued to reduce its legacy arrears to official creditors, while one contested claim to a commercial creditor remains open:

- Administrative delays outside of Congo's control hindered the payment of CFAF 0.7 billion due to Libya at end-March 2024, as it occurred with the debt service payment due in September 2023. The Congolese authorities have been in active dialogue with the Libyan authorities to find alternative ways to fulfil their payment obligations.

- The authorities remained committed to fully clear the arrears to the Arab Bank for Economic Development in Africa (CFAF 0.23 billion) by end-June 2024.

- Previously outstanding $27 million in arrears to India were resolved by agreement with India in 2023. The non-DSSI portion was fully repaid in 2023, while the remaining amount is subject to DSSI terms.

- The authorities continue resolution efforts regarding $116 million in pre-HIPC bilateral arrears owed to Angola**.**

- The authorities continue to contest a $270 million claim owed to a supplier as part of a litigation case [23]; and have requested HIPC treatment for one instance of another $94 million of commercial pre-HIPC arrears.

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[21] The debt service is assessed relative to *i)* exports, *ii)* revenues exclusive of grants, *iii)* overall external debt service and *iv)* tax revenue. While overall Congo stays in the lower half of the distribution across countries with UCT arrangements, the second and third metric start in 2026 to exceed respective averages but remain in or close to the core quartiles of cross-country distributions.

[22] Those are the World Bank, the African Development Bank, the European Investment Bank, the Arab Bank for Economic Development in Africa, the Organization of Petroleum Exporting Countries (multilaterals), and the EximBank of India, France, Brazil, Kuwait, Saudi Arabia, Belgium, Libya, and Türkiye (bilaterals).

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

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

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

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Senior Debt	**2271**	**2125**	**1981**	**1960**	**2100**	**2177**	**2197**	**2227**	**2246**	**2258**	**2267**
Multilateral	1261	1567	1842	1960	2100	2177	2197	2227	2246	2258	2267
IMF	211	344	424	413	403	393	356	314	278	242	206
Non-IMF	1051	1223	1418	1547	1697	1784	1841	1913	1967	2015	2060
Private Collateralized Debt (Oil-prepurchased)	1009	558	140	0	0	0	0	0	0	0	0
Non-Senior Debt	**3771**	**3488**	**3177**	**2886**	**2635**	**2421**	**2339**	**2308**	**2262**	**2235**	**2213**
Official bilateral	2830	2635	2397	2221	2089	1992	1947	1930	1894	1868	1846
Paris Club	455	487	476	466	430	396	368	348	323	298	272
Brazil	91	83	74	68	64	60	56	53	46	42	37
Belgium	131	93	63	45	27	12	4	0	0	0	0
France	199	279	308	324	310	295	279	266	248	228	207
Russia	31	32	30	29	29	29	28	29	29	29	29
Switzerland	3	0	0	0	0	0	0	0	0	0	0
Non-Paris Club	2376	2148	1921	1756	1659	1596	1579	1582	1572	1569	1574
China	1973	1760	1574	1437	1362	1319	1313	1324	1321	1322	1329
India	84	84	64	46	35	26	18	10	5	4	4
Kuwait	54	53	53	52	51	49	46	45	42	40	38
Turkey	58	43	26	17	8	0	0	0	0	0	0
Others	89	88	86	86	86	85	85	86	86	86	86
Pre-HIPC arrears (not restructured)	118	120	118	118	117	117	117	118	118	118	118
Private Creditors	**941**	**853**	**780**	**665**	**546**	**429**	**392**	**378**	**368**	**368**	**368**
Chinese companies	298	271	244	162	80	0	0	0	0	0	0
London Club (eurobond)	226	197	167	136	100	64	28	11	0	0	0
Afreximbank	52	10	0	0	0	0	0	0	0	0	0
Suppliers	364	375	369	367	366	365	364	368	368	368	368
Total	**6042**	**5614**	**5158**	**4846**	**4735**	**4599**	**4536**	**4535**	**4508**	**4493**	**4480**
o/w Multilateral	1261	1567	1842	1960	2100	2177	2197	2227	2246	2258	2267
o/w Official Bilateral	2830	2635	2397	2221	2089	1992	1947	1930	1894	1868	1846
o/w Private	1950	1412	920	665	546	429	392	378	368	368	368
Shares											
IMF (in percent of Multilateral)	16.7	21.9	23.0	21.1	19.2	18.1	16.2	14.1	12.4	10.7	9.1
IMF (in percent Total)	3.5	6.1	8.2	8.5	8.5	8.5	7.9	6.9	6.2	5.4	4.6
Multilateral (in percent Total)	20.9	27.9	35.7	40.4	44.4	47.3	48.4	49.1	49.8	50.2	50.6
Official (in percent Total)	46.8	46.9	46.5	45.8	44.1	43.3	42.9	42.6	42.0	41.6	41.2
Private (in percent Total)	15.6	15.2	15.1	13.7	11.5	9.3	8.7	8.3	8.2	8.2	8.2

Sources: Authorities; and IMF staff estimates

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

41. Safeguards assessment. The 2022 safeguards assessment found that the BEAC maintained strong governance and external audit arrangements while internal audit and risk management practices needed strengthening. A safeguards monitoring mission took place in late 2023 to follow up on the status of the outstanding recommendations and developments on governance arrangements. Preliminary recommendations include a formalized onboarding program for new senior management and Board members, and an enhanced delegation framework for executive decision-making.

42. Regional assurances. BEAC met its NFA target for end-December 2023 and provided updated policy assurances in support of CEMAC countries' Fund-supported programs. BEAC remains committed to maintaining an appropriate monetary policy stance: the central bank tightened monetary policy and liquidity conditions to anchor inflation expectations and to support the build-up of external reserves. It will also continue enforcing consistently the foreign exchange regulations, including the surrender and repatriation requirements for the extractive sector. The review of regional policies and policy assurances will be discussed by the Executive Board on June 25, 2024. The policy assurances on regional NFA are critical for the success of Congo's Fund-supported program and will help bolster the region's external sustainability.

43. Statistical issues and capacity development (CD). Data provision is adequate for program monitoring and surveillance, but has shortcomings that somewhat hamper surveillance, including in the coverage of and data quality of national accounts, external sector accounts, price, and governance finance statistics (Annex VI). Aligned with program objectives, CD prioritizes tax policy and administration, PFM reforms, and 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 (Annex II). Congo is a medium-intensity user of Fund TA, with a mixed implementation record.

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44. While a downward surprise in oil production moderated growth in 2023 and 2024, the non-hydrocarbon sector is projected to remain the main driver of overall growth through 2029. Challenges with equipment led to a decline in oil production in 2023 and moderated expectations for the immediate acceleration of the sector, while non-hydrocarbon growth was slowed down by the costs of the 2023-24 floods and the stronger-than-expected fiscal consolidation in 2023. Over the medium term, growth is expected to pick up in the non-hydrocarbons sector again, as diversification progresses (SIP 4), driven by robust public and growing private sector investment. A revived hydrocarbon sector is anticipated to deliver additional impulses until 2026, when maturing oil fields are projected to cease to support additional growth of the sector.

45. Economic policies should continue to promote sustainable growth and diversification. Much needed investments in climate-proofing agriculture, developing resilient public infrastructure and adjusting health and education systems to the needs for adaptation to climate change, technological development, and inclusiveness should help prepare the ground for additional growth in key sectors of Congo's national diversification strategy. Continued progress with governance reforms is essential to unlock additional private funding sources for such investments by attracting private investors, both external and domestical ones, through improved business conditions (¶29), enhanced transparency (¶27), and more effective and reliable administrative and judicial procedures (¶27).

46. In the face of high debt, Congo needs to delicately balance tax revenue-based fiscal consolidation and policies supporting poverty reduction and adequate economic growth.

External debt has seen substantive reductions over the last three years (by 20 percent of GDP), while domestic debt has increased as successively new contingent liabilities and domestic arrears materialized, calling urgently for clearance of existing and especially prevention of new arrears. Overall, total public debt declined to 99 percent of GDP at the end of 2023, down from 102.5 observed in December 2020. Going forward, Congo would benefit from pursuing fiscal consolidation, while prioritizing currently under-executed social expenditures, thereby lifting economic growth on an inclusive and sustainable basis. The continuation of well calibrated social safety net cash transfers to vulnerable households and adequate investments in health and education systems have been identified as short- to medium-term priorities for supporting inclusive and sustainable growth through responsible fiscal management. Growth in tax revenues is key for continuing fiscal consolidation. Still high tax expenditures, low tax efficiency, and large tax gaps call for further broadening of the tax base, more progressivity in income taxes, and improved tax administration, for example through a well-functioning tax policy unit, digitizing, or enhanced medium-term planning.

47. Congo's fiscal consolidation would benefit from stronger reform momentum in public debt, investment, and broader public financial management. Improved debt management, such as timely debt service, enhanced debt transparency—e.g., through broader coverage of debt statistics, and coherent debt reporting and planning—including comprehensive contingent debt monitoring—would reduce debt vulnerability risks and debt service costs. Sufficient fiscal space should support domestic arrears repayment, while adequately sized fiscal buffers could address uncertainties over the volume of contingent debt, including domestic arrears. Enhancing the efficiency of investment and broader financial management could boost the size and timeliness of investment returns and reduce administrative inefficacies thereby lowering administrative costs—for example by (i) progress in TSA reforms, (ii) ensuring adequate data connectivity between tax and customs administrations, and (iii) enforcing effective coordination between CCA, the treasury, line ministries, and BEAC.

48. Congo's weak external position suggests the need for continued diversification and foreign asset accumulation. Congo's external position in 2023 was weaker than the level implied by medium-term fundamentals and desirable policies, broadly in line with the findings for the entire currency union. While exports of hydrocarbons continue to support the current account, increasing non-hydrocarbon sector imports and softening terms of trade are projected to reduce its surplus over the medium term. The transitory character of hydrocarbon resources suggests that Congo's external position could profit from stronger accumulation of foreign assets and accelerated diversification of Congo's economy (Annex III).

49. Additional acceleration of structural reforms on governance and anti-corruption would promote the effective implementation of a culture of accountability and public participation. The first vintage of officials' conflict-of-interest declarations provides additional transparency on high officials' accountability. For the future, regular publication of annual reports of and provision of adequate resources to entities charged with anti-corruption, accountability, and transparency activities will be key for progress in these areas. Ensuring the public's access to underlying statistics on respective entities' work would complement this action with an additional layer of transparency. The completion and implementation of Congo's AML/CTF action plan remains essential for advances with anti-corruption efforts. Responsible and sustainable management of natural resources would benefit from increased transparency calling for completion of publicly accessible online cadasters for the mining and oil sectors and the regular publication of EITI reports.

50. Notwithstanding the adequacy of statistical data for program monitoring and surveillance, improved coverage and quality of statistical data could fertilize the design and conduct of adequate macroeconomic, fiscal, and regulatory policies. Implementation of IMF TA recommendations on how to address shortcomings in the construction of CPI data, the quantification of tax revenues, and the coherence of trade data are key to further strengthen the informational base for formulating macroeconomic policies. Intensified collaboration between INS, the national committee for validating the BoP, and the tax authority would promote a quick resolution of remaining and the prevention of potential future issues.

51. Amidst broadly satisfactory program performance, the authorities' commitment to the ECF arrangement remains strong. Fiscal consolidation continued in line with program parameters as all respective quantitative PCs were met for December 2023, while the continuous PC of a zero ceiling on the accumulation of new external arrears was breached in April-June 2024 (¶11). Under-execution of the capital and social spending budget—the related IT was breached—raises concerns over the sustainability and inclusiveness of economic growth (¶12). Corrective actions for the missed continuous PC on non-accumulation of external arrears included the conversion of the SB on the completion of the reorganization of CCA to a prior action. Similarly, the submission and publication of conflict-of-interest declarations have also been elevated to a prior action. A proposed new SB on accelerated execution of cash transfers available under social programs demonstrates the authorities' renewed commitment to assuage social vulnerabilities by reprioritizing the respective spending. Residual vulnerabilities in weaker segments of the banking sector pose moderate financial stability risks.

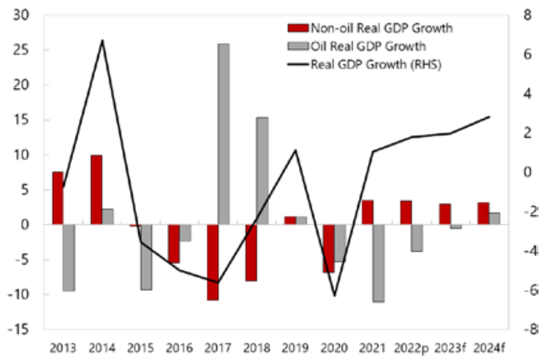
52. Considering the strength of the authorities' program, the corrective actions, the implementation of the end-December 2023 regional policy assurance and regional policy assurances to be established in the June 2024 union-wide paper, staff supports the completion of the fifth review under the ECF arrangement,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

53. The Article IV Consultation is expected to take place within 24 months in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Figure 1. Republic of Congo: Recent Economic Developments, 2013–24

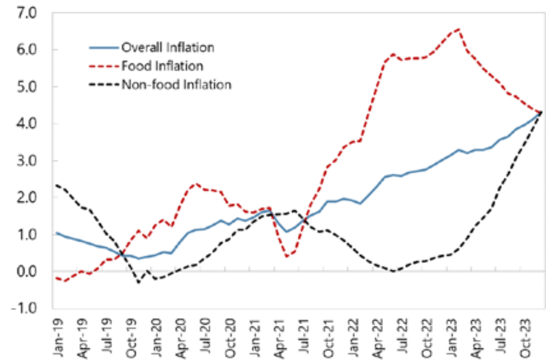
Real GDP growth is gaining momentum driven by an expanding non-hydrocarbon sector.

Real GDP Growth (Percent)



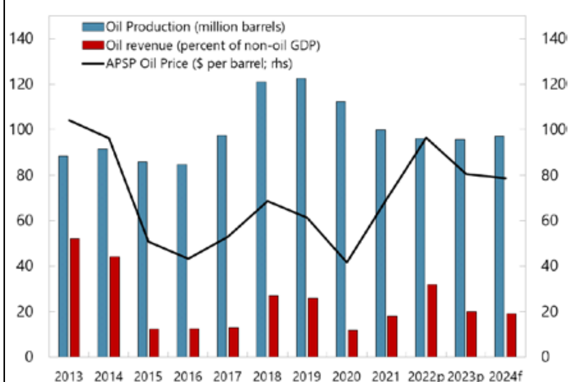
Food inflation eased, while non-food prices picked up fueling inflation.

Inflation (Average YoY; Percent Change)



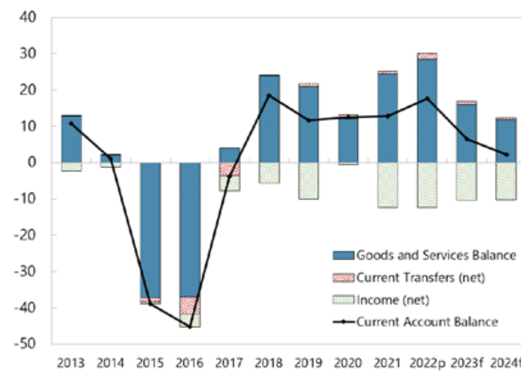
Steady production and moderate price declines implied still considerable oil revenues…

Oil



…while the current account surplus started to decline.

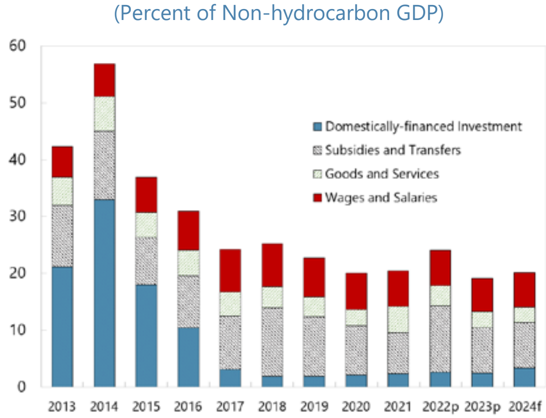
Balance of Payments (Percent of GDP)



Spending has remained in 2023 well within the budget.

Adjustable Public Spending

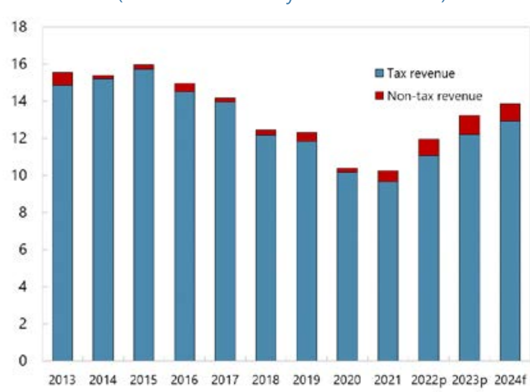
(Percent of Non-hydrocarbon GDP)



Continued reforms in tax policy and administration prop up non-hydrocarbon revenues.

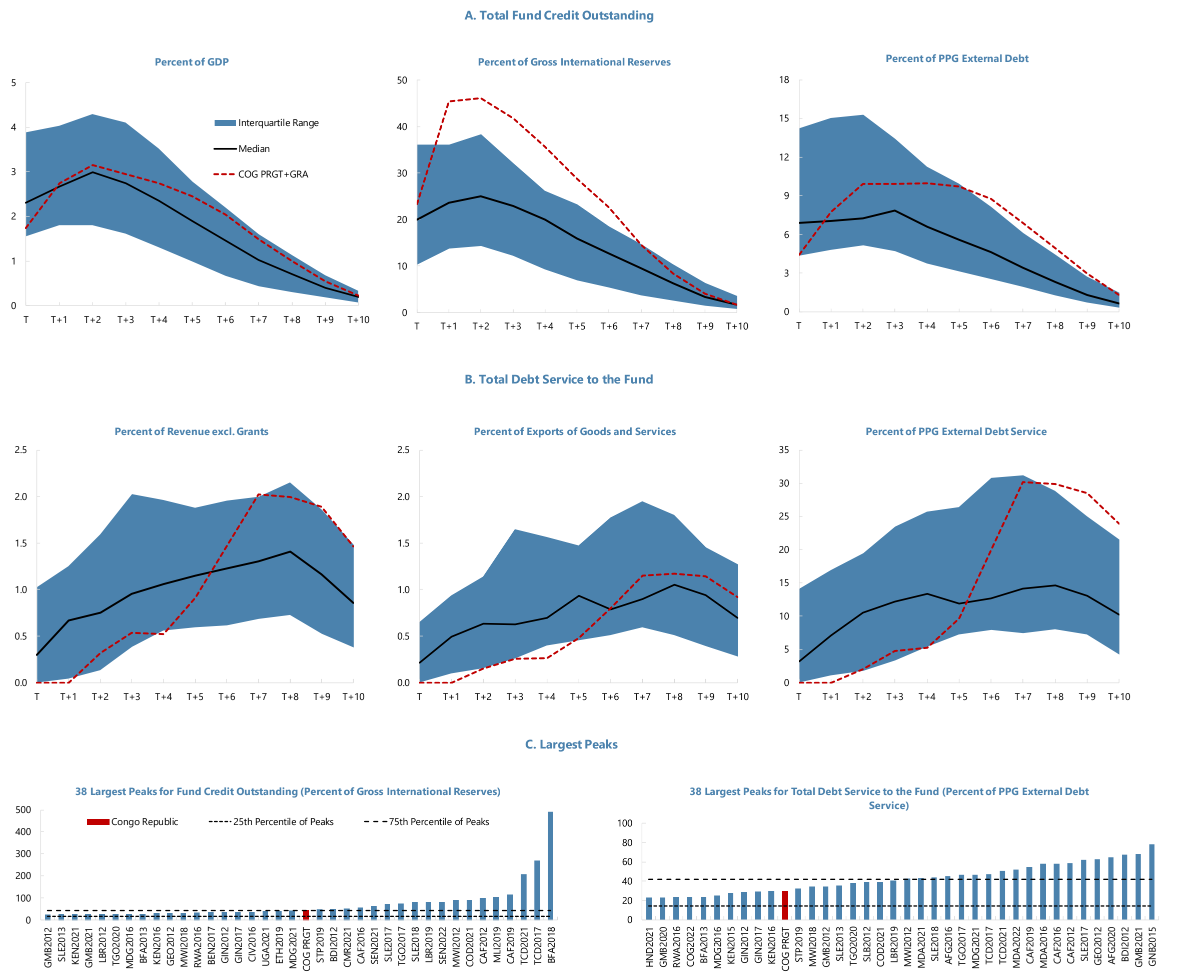
Non-hydrocarbon Revenue

(Percent of Non-hydrocarbon GDP)



Sources: Congolese Authorities and IMF Staff Estimates and Projections

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



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

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

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

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

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

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

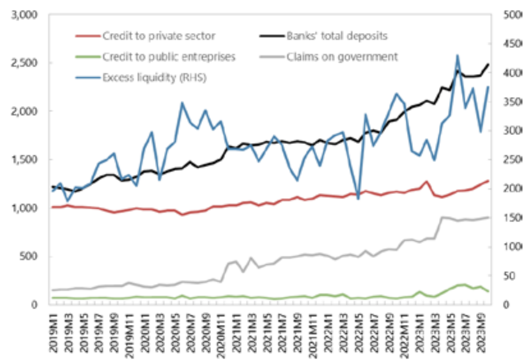
[6] For Congo Republic, revenue refers to non-hydrocarbon revenue.

Figure 3. Republic of Congo: Selected Indicators of Financial Soundness and Financial Developments

Banks maintain large excess liquidity…

Banks' Credits and Deposits

(CFAF Billions)



…while credit-to-deposit ratio continues its downward trend, as deposits steadily increase, and loans growth remains sluggish.

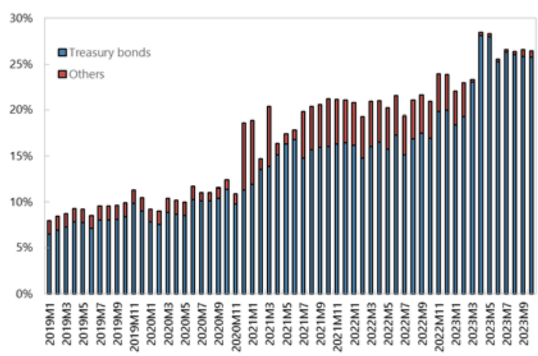
Credit-to-Deposit Ratio

(Percent)

Increased sovereign debt exposure.

Banks' Claims on Government – Share of Total Assets

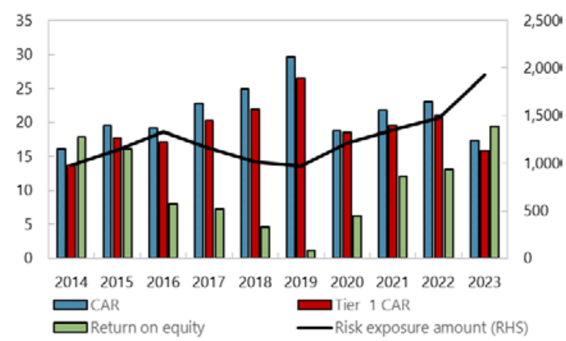
(Percent)



Capital adequacy remains appropriate, albeit lower than pre-pandemic levels.

Capital Adequacy

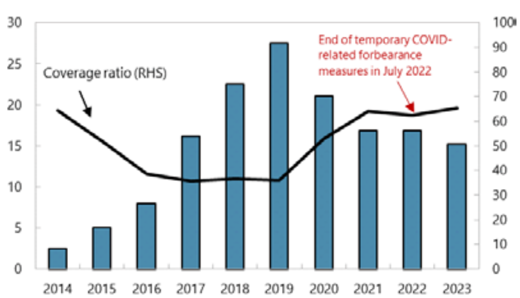
(Percent)



Non-performing loans remain elevated, albeit on a downward trajectory.

Non-Performing Loans

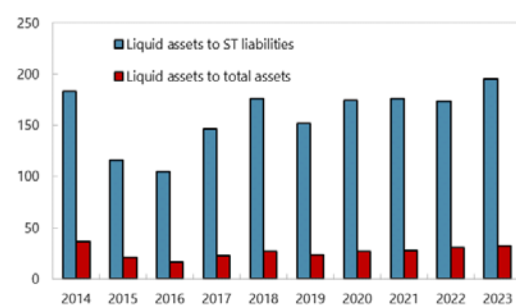
(Percent of Total Loans)



Overall, banks comply with liquidity requirements.

Liquidity Ratios

(Percent)



Sources: BEAC, IMF Financial Soundness Indicators and IMF staff calculations.

Table 1. Republic of Congo: Selected Economic and Financial Indicator, 2022–29

	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
	Prel.	CR24/2	Prel.	CR24/2			Proj.			
				(Annual percentage change unless otherwise indicated)						
Production and prices										
GDP at constant prices	1.8	4.0	2.0	4.4	2.8	3.7	3.5	3.5	3.8	3.8
Hydrocarbons	-3.8	4.4	-0.5	6.5	1.7	3.0	1.1	-0.4	0.1	-0.3
Non-hydrocarbon	3.4	3.9	3.0	3.8	3.2	3.8	4.1	4.4	4.7	4.7
GDP at current prices	17.2	0.5	-1.2	7.1	6.2	5.8	5.7	5.9	6.5	7.1
GDP deflator	15.1	-3.4	-3.1	2.6	3.3	2.1	2.1	2.3	2.6	3.1
Non-hydrocarbon	3.1	4.5	4.3	3.6	4.0	3.6	3.2	3.0	3.0	3.0
Consumer prices (period average)	3.0	4.5	4.3	3.6	4.0	3.6	3.2	3.0	3.0	3.0
Consumer prices (end of period)	3.2	4.5	5.6	3.6	4.0	3.6	3.2	3.0	3.0	3.0
External sector										
Exports, f.o.b.	42.3	-19.4	-18.5	5.9	1.6	-0.9	-1.4	-1.0	0.7	2.6
Imports, f.o.b.	14.4	3.3	8.6	5.8	9.9	3.0	1.2	2.9	6.4	4.6
Export volume	-4.4	3.5	2.8	5.4	-2.5	2.8	2.1	1.4	1.1	1.1
Import volume	7.2	13.9	18.8	6.0	11.2	6.4	3.3	4.0	6.6	6.6
Terms of trade (deterioration -)	42.1	-12.9	-12.1	0.7	5.4	-0.4	-1.4	-1.4	-0.2	3.3
Current account balance (percent of GDP)	17.7	3.1	6.4	3.2	2.1	1.3	1.3	0.7	-0.5	-1.1
BEAC's net foreign assets	-46.9	69.6	-65.7	50.3	107.8	60.7	67.3	50.0	37.7	53.6
External public debt (percent of GDP)	43.1	41.0	39.4	36.6	35.3	31.8	29.7	27.5	25.2	22.7
Monetary sector										
Broad money	4.6	22.0	14.7	16.1	19.5	9.0	8.8	7.3	3.9	4.2
Credit to the private sector	5.1	3.6	5.1	4.6	3.6	4.5	5.4	5.7	6.2	6.6
					(Percent of GDP)					
Investment and saving										
Gross national saving	44.1	31.6	33.8	31.3	30.8	29.7	29.1	27.2	25.2	23.8
Gross investment	26.4	28.5	27.4	28.0	28.7	28.4	27.7	26.5	25.8	25.0
					(Percent of non-oil GDP, unless otherwise indicated)					
Central government finances										
Total revenue	44.9	34.6	34.4	34.7	33.8	32.3	31.3	30.4	29.5	29.1
Hydrocarbon revenue	32.0	20.4	20.1	20.1	19.1	17.2	15.6	14.6	13.4	12.7
Non-hydrocarbon revenue (including grants)	12.8	14.3	14.3	14.6	14.7	15.1	15.7	15.8	16.1	16.4
Total expenditure	32.2	30.1	26.9	28.1	28.9	28.5	27.9	26.0	24.4	23.5
Current	27.1	23.5	22.4	21.7	22.5	21.8	21.2	20.1	18.9	18.4
Capital	5.1	6.6	4.5	6.4	6.4	6.8	6.8	6.0	5.5	5.1
Overall balance (deficit -, payment order basis)	12.6	4.6	7.5	6.6	4.9	3.8	3.4	4.3	5.1	5.6
Overall balance (deficit -, payment order basis, percent of GDP)	8.9	3.5	5.8	5.1	3.8	3.0	2.7	3.5	4.2	4.7
Non-hydrocarbon primary balance (- = deficit)	-15.7	-11.7	-8.4	-9.8	-10.1	-9.7	-8.7	-7.2	-5.6	-4.6
Basic primary fiscal balance (- = deficit)[1]	16.4	8.7	11.6	10.3	9.0	7.5	6.9	7.4	7.9	8.1
Basic non-hydrocarbon primary balance (- = deficit)[2]	-14.0	-9.2	-7.5	-7.7	-7.9	-7.5	-6.6	-5.7	-4.1	-3.3
Reference fiscal balance (percent of GDP)[3]	-4.5	-0.9	1.7	2.2	1.7	2.2	0.6	1.4	2.1	2.5
Primary balance (percent of GDP)	11.6	6.7	9.0	7.9	7.0	6.0	5.6	6.1	6.5	6.7
Financing gap (in percent of GDP)	2.0	2.6	2.1	1.9	1.8	0.0	0.0	0.0	0.0	0.0
Total public debt (percent of GDP)	92.5	102.3	99.0	95.2	93.6	89.5	83.9	77.6	70.0	61.1
					(Percent of total government revenue excluding grants)					
External public debt service	35.1	29.0	33.9	22.9	24.6	15.8	10.7	9.4	9.9	8.9
					(Billions of CFA francs, unless otherwise indicated)					
Nominal GDP	8,694	8,735	8,593	9,356	9,128	9,662	10,209	10,808	11,510	12,326
Nominal hydrocarbon GDP[4]	2,536	2,056	1,979	2,173	2,031	2,027	2,005	1,985	1,999	2,066
Nominal non-hydrocarbon GDP	6,157	6,680	6,614	7,183	7,097	7,635	8,204	8,823	9,511	10,260
Nominal GDP in US$ (millions)	13,967	14,493	14,169	15,602	15,006	15,811	16,688	17,641	18,765	20,095
World oil price (U.S. dollars per barrel)	96	80	81	80	79	74	71	69	68	69
Congolese oil price (U.S. dollars per barrel)	99	79	80	79	79	74	71	70	69	70
Brent Price (U.S dollars per barrel)	99	82	82	81	80	76	73	71	70	71
Oil production (Millions of barrels)	96	100	96	107	97	100	101	100	100	100
Nominal Exchange rate (CFA/USD, period average)	622	…	606	…	…	…	…	…	…	…
REER (percentage change)	-9.6	…	4.0	…	…	…	…	…	…	…

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

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

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

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

[4] Since 2024 the hydrocarbon sector includes the oil and gas sectors, before 2024 the gas sector was in a state of infancy and hence negligible.

Table 2a. Republic of Congo: Central Government Operations, 2022–29

(CFAF billions)

	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
	Prel.	CR 24/2	Prel.	CR 24/2	Proj.			Proj.		
Total Revenue and Grants	2,763	2,313	2,275	2,494	2,398	2,469	2,566	2,679	2,808	2,984
Revenue	2,709	2,239	2,203	2,434	2,339	2,396	2,486	2,592	2,712	2,880
Hydrocarbon revenue	1,973	1,360	1,329	1,444	1,355	1,316	1,281	1,289	1,278	1,300
of which: oil transfers	311	154	128	47	47	59	59	59	59	*59*
Non-hydrocarbon revenue	736	880	875	990	984	1,080	1,206	1,303	1,435	1,580
Direct taxes	292	351	395	385	417	435	468	504	557	614
Taxes on goods and services	250	319	275	360	328	394	448	489	538	592
Customs Receipts	139	140	137	181	172	188	223	240	274	306
Non-tax revenue	56	70	68	65	68	64	67	70	65	69
Grants	54	74	72	59	59	73	80	87	95	104
Expenditure	1,985	2,009	1,777	2,017	2,050	2,179	2,290	2,298	2,321	2,406
Current expenditure	1,669	1,568	1,478	1,560	1,598	1,663	1,736	1,773	1,800	1,884
Wages	379	407	388	435	435	466	505	543	591	637
Other primary current expenditure	1,032	857	789	803	822	856	883	907	900	949
Goods and services	217	190	189	190	190	218	224	239	258	278
Transfers	721	595	527	548	567	570	588	605	578	604
Social Transfers (Lisungi, COVID-19 and others)	143	185	156	223	245	232	244	254	274	295
Oil-related transfers	311	154	128	47	47	59	59	59	59	59
Other transfers	266	256	243	278	275	279	285	292	245	250
Common charges	94	71	73	67	67	69	71	63	65	67
Annex budgets and special accounts[1]	27	27	30	59	52	55	56	47	47	46
Interest	230	277	271	263	288	286	292	276	262	250
Domestic	115	143	147	200	227	234	244	229	217	207
External	116	134	124	63	61	52	48	47	45	44
Capital expenditure	316	441	298	457	452	516	554	525	521	523
Domestically financed	162	202	164	243	238	278	304	307	291	283
Externally financed	155	239	134	214	214	237	251	218	230	240
Non-hydrocarbon primary balance[2]	-965	-778	-558	-704	-718	-739	-712	-632	-529	-472
Basic non-hydrocarbon primary balance[3]	-864	-614	-497	-550	-563	-576	-542	-501	-394	-335
— excluding oil-related transfers[4]	-553	-459	-369	-503	-516	-517	-483	-442	-335	-277
Primary balance	1,008	581	770	740	637	576	569	657	749	828
Overall balance, payment order basis										
Excluding grants	724	231	427	418	290	217	196	294	391	474
Including grants	778	305	499	477	348	291	276	381	487	577
Overall balance, cash basis	778	305	499	477	348	291	276	381	487	577
Financing	-949	-532	-682	-659	-509	-291	-276	-381	-487	-577
Foreign (net, excluding budgetary support)	-966	-580	-734	-557	-577	-336	-48	-66	-89	-76
Drawings	101	165	62	154	156	164	171	131	135	136
Amortization (paid)	-843	-568	-599	-493	-514	-325	-219	-197	-224	-212
of which: on oil-prepurchased debt	-425	-288	-331	-231	-252	-85	0	0	0	0
Others	-223	-176	-197	-218	-218	-175	0	0	0	0
Domestic (net, excluding IMF-ECF)	17	48	52	-101	68	45	-228	-315	-398	-501
Banking system (net)	334	283	517	6	151	115	62	-15	-140	-244
Central bank	89	-284	46	-250	-144	-230	-195	-213	-157	-85
Commercial banks[5]	245	568	470	256	295	345	257	197	17	-160
Nonbank financing[5]	-317	-235	-465	-107	-83	-70	-290	-300	-258	-257
Of which: Repayment of domestic arrears	-431	-379	-450	-204	-204	-155	-189	-193	-202	-235
Financing gap (- = surplus)	171	227	183	182	161	0	0	0	0	0
Expected financing (excluding IMF)	63	122	77	130	108	0	0	0	0	0
IMF-ECF	108	105	106	52	52	0	0	0	0	0
Residual financing gap	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Stock of domestic arrears[6]	1,447	1,800	1,733	1,577	1,504	1,342	1,148	955	740	512
Stock of government deposits	238	523	176	773	320	536	716	914	1,055	1,124
CEMAC Reference fiscal balance[7]	-391	-76	150	201	154	216	62	146	245	304
GDP at current market prices	8,694	8,735	8,593	9,356	9,128	9,662	10,209	10,808	11,510	12,326
Non-hydrocarbon GDP at market prices[8]	6,157	6,680	6,614	7,183	7,097	7,635	8,204	8,823	9,511	10,260

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 hydrocarbon revenues minus total primary expenditures (excluding interest payments).

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

[4] Basic non-hydrocarbon 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.

[5] Net of restructured contingent liabilities.

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

[8] Since 2024 the hydrocarbon sector includes the oil and gas sectors, before 2024 the gas sector was in a state of infancy and hence negligible.

Table 2b. Republic of Congo: Central Government Operations, 2022–29

(Percent of non-hydrocarbon GDP)

	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
	Prel.	CR 24/2	Prel.	CR 24/2	Proj.			Proj.		
Total Revenue and Grants	44.9	34.6	34.4	34.7	33.8	32.3	31.3	30.4	29.5	29.1
Revenue	44.0	33.5	33.3	33.9	33.0	31.4	30.3	29.4	28.5	28.1
Hydrocarbon revenue	32.0	20.4	20.1	20.1	19.1	17.2	15.6	14.6	13.4	12.7
of which: oil transfers	5.1	2.3	1.9	0.7	0.7	0.8	0.7	0.7	0.6	0.6
Non-hydrocarbon revenue	12.0	13.2	13.2	13.8	13.9	14.1	14.7	14.8	15.1	15.4
Direct taxes	4.7	5.3	6.0	5.4	5.9	5.7	5.7	5.7	5.9	6.0
Taxes on goods and services	4.1	4.8	4.2	5.0	4.6	5.2	5.5	5.5	5.7	5.8
Customs receipts	2.2	2.1	2.1	2.5	2.4	2.5	2.7	2.7	2.9	3.0
Non-tax revenue	0.9	1.0	1.0	0.9	1.0	0.8	0.8	0.8	0.7	0.7
Grants	0.9	1.1	1.1	0.8	0.8	1.0	1.0	1.0	1.0	1.0
Expenditure	32.2	30.1	26.9	28.1	28.9	28.5	27.9	26.0	24.4	23.5
Current expenditure	27.1	23.5	22.4	21.7	22.5	21.8	21.2	20.1	18.9	18.4
Wages	6.1	6.1	5.9	6.1	6.1	6.1	6.2	6.2	6.2	6.2
Other primary current expenditure	16.8	12.8	11.9	11.2	11.6	11.2	10.8	10.3	9.5	9.3
Goods and services	3.5	2.8	2.9	2.6	2.7	2.8	2.7	2.7	2.7	2.7
Transfers	11.7	8.9	8.0	7.6	8.0	7.5	7.2	6.9	6.1	5.9
Social Transfers (Lisungi, COVID-19 and others)	2.3	2.8	2.4	3.1	3.4	3.0	3.0	2.9	2.9	2.9
Oil-related transfers	5.1	2.3	1.9	0.7	0.7	0.8	0.7	0.7	0.6	0.6
Other transfers	4.3	3.8	3.7	3.9	3.9	3.7	3.5	3.3	2.6	2.4
Common charges	1.5	1.1	1.1	0.9	0.9	0.9	0.9	0.7	0.7	0.7
Annex budgets and special accounts[1]	0.4	0.4	0.5	0.8	0.7	0.7	0.7	0.5	0.5	0.5
Interest	3.7	4.1	4.1	3.7	4.1	3.7	3.6	3.1	2.8	2.4
Domestic	1.9	2.1	2.2	2.8	3.2	3.1	3.0	2.6	2.3	2.0
External	1.9	2.0	1.9	0.9	0.9	0.7	0.6	0.5	0.5	0.4
Capital expenditure	5.1	6.6	4.5	6.4	6.4	6.8	6.8	6.0	5.5	5.1
Domestically financed	2.6	3.0	2.5	3.4	3.3	3.6	3.7	3.5	3.1	2.8
Externally financed	2.5	3.6	2.0	3.0	3.0	3.1	3.1	2.5	2.4	2.3
Non-hydrocarbon primary balance[2]	-15.7	-11.7	-8.4	-9.8	-10.1	-9.7	-8.7	-7.2	-5.6	-4.6
Basic non-hydrocarbon primary balance[3]	-14.0	-9.2	-7.5	-7.7	-7.9	-7.5	-6.6	-5.7	-4.1	-3.3
— excluding oil-related transfers[4]	-9.0	-6.9	-5.6	-7.0	-7.3	-6.8	-5.9	-5.0	-3.5	-2.7
Primary balance	16.4	8.7	11.6	10.3	9.0	7.5	6.9	7.4	7.9	8.1
Overall balance, payment order basis										
Excluding grants	11.8	3.5	6.5	5.8	4.1	2.8	2.4	3.3	4.1	4.6
Including grants	12.6	4.6	7.5	6.6	4.9	3.8	3.4	4.3	5.1	5.6
Overall balance, cash basis	12.6	4.6	7.5	6.6	4.9	3.8	3.4	4.3	5.1	5.6
Financing	-15.4	-8.0	-10.3	-9.2	-7.2	-3.8	-3.4	-4.3	-5.1	-5.6
Foreign (net, excluding budgetary support)	-15.7	-8.7	-11.1	-7.8	-8.1	-4.4	-0.6	-0.7	-0.9	-0.7
Drawings	1.6	2.5	0.9	2.1	2.2	2.1	2.1	1.5	1.4	1.3
Amortization (paid)	-13.7	-8.5	-9.1	-6.9	-7.2	-4.3	-2.7	-2.2	-2.4	-2.1
of which: on oil-prepurchased debt	-6.9	-4.3	-5.0	-3.2	-3.6	-1.1	0.0	0.0	0.0	0.0
Others	-3.6	-2.6	-3.0	-3.0	-3.1	-2.3	0.0	0.0	0.0	0.0
Domestic (net, excluding IMF-ECF)	0.3	0.7	0.8	-1.4	1.0	0.6	-2.8	-3.6	-4.2	-4.9
Banking system (net)	5.4	4.2	7.8	0.1	2.1	1.5	0.8	-0.2	-1.5	-2.4
Central bank	1.5	-4.3	0.7	-3.5	-2.0	-3.0	-2.4	-2.4	-1.7	-0.8
of which Use of SDR Allocations	2.1	…	…	…	…	…	…	…	…	…
Commercial banks[5]	4.0	8.5	7.1	3.6	4.2	4.5	3.1	2.2	0.2	-1.6
Nonbank financing[5]	-5.2	-3.5	-7.0	-1.5	-1.2	-0.9	-3.5	-3.4	-2.7	-2.5
Of which: Repayment of domestic arrears	-7.0	-5.7	-6.8	-2.8	-2.9	-2.0	-2.3	-2.2	-2.1	-2.3
Financing gap (- = surplus)	2.8	3.4	2.8	2.5	2.3	0.0	0.0	0.0	0.0	0.0
Expected financing (excluding IMF)	1.0	1.8	1.2	1.8	1.5	0.0	0.0	0.0	0.0	0.0
IMF-ECF	1.8	1.6	1.6	0.7	0.7	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Memorandum items:										
Stock of domestic arrears[6]	23.5	26.9	26.2	22.0	21.2	17.6	14.0	10.8	7.8	5.0
Stock of government deposits	3.9	7.8	2.7	10.8	4.5	7.0	8.7	10.4	11.1	11.0
CEMAC Reference fiscal balance[7]	-6.3	-1.1	2.3	2.8	2.2	2.8	0.8	1.7	2.6	3.0
GDP at current market prices (CFAF billion)	8,694	8,735	8,593	9,356	9,128	9,662	10,209	10,808	11,510	12,326
Non-hydrocarbon GDP at market prices (CFAF billion)[8]	6,157	6,680	6,614	7,183	7,097	7,635	8,204	8,823	9,511	10,260

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-hydrocarbon revenue excluding grants minus total expenditures excluding interest payments and foreign-financed investment.

[4] Basic non-hydrocarbon primary balance minus hydrocarbon 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 hydrocarbon revenues and minus 80 percent of the hydrocarbon revenue in excess of the average observed during the three previous years.

[8] Since 2024 the hydrocarbon sector includes the oil and gas sectors, before 2024 the gas sector was in a state of infancy and hence negligible.

Table 2c. Republic of Congo: Central Government Operations, 2022–29

(Percent of GDP)

	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
	Prel.	CR 24/2	Prel.	CR 24/2	Proj.			Proj.		
Total Revenue and Grants	31.8	26.5	26.5	26.7	26.3	25.6	25.1	24.8	24.4	24.2
Revenue	31.2	25.6	25.6	26.0	25.6	24.8	24.4	24.0	23.6	23.4
Hydrocarbon revenue	22.7	15.6	15.5	15.4	14.8	13.6	12.5	11.9	11.1	10.5
Non-hydrocarbon revenue	8.5	10.1	10.2	10.6	10.8	11.2	11.8	12.1	12.5	12.8
Direct taxes	3.4	4.0	4.6	4.1	4.6	4.5	4.6	4.7	4.8	5.0
Taxes on goods and services	2.9	3.7	3.2	3.8	3.6	4.1	4.4	4.5	4.7	4.8
Customs Receipts	1.6	1.6	1.6	1.9	1.9	1.9	2.2	2.2	2.4	2.5
Non-tax revenue	0.6	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.6	0.6
Grants	0.6	0.8	0.8	0.6	0.6	0.8	0.8	0.8	0.8	0.8
Expenditure	22.8	23.0	20.7	21.6	22.5	22.6	22.4	21.3	20.2	19.5
Current expenditure	19.2	17.9	17.2	16.7	17.5	17.2	17.0	16.4	15.6	15.3
Wages	4.4	4.7	4.5	4.7	4.8	4.8	4.9	5.0	5.1	5.2
Other primary current expenditure	11.9	9.8	9.2	8.6	9.0	8.9	8.6	8.4	7.8	7.7
Goods and services	2.5	2.2	2.2	2.0	2.1	2.3	2.2	2.2	2.2	2.3
Transfers	8.3	6.8	6.1	5.9	6.2	5.9	5.8	5.6	5.0	4.9
Social Transfers (Lisungi, COVID-19 and others)	1.6	2.1	1.8	2.4	2.7	2.4	2.4	2.3	2.4	2.4
Oil-related transfers	3.6	1.8	1.5	0.5	0.5	0.6	0.6	0.5	0.5	0.5
Other transfers	3.1	2.9	2.8	3.0	3.0	2.9	2.8	2.7	2.1	2.0
Common charges	1.1	0.8	0.9	0.7	0.7	0.7	0.7	0.6	0.6	0.5
Annex budgets and special accounts[1]	0.3	0.3	0.4	0.6	0.6	0.6	0.5	0.4	0.4	0.4
Interest	2.7	3.2	3.2	2.8	3.2	3.0	2.9	2.6	2.3	2.0
Domestic	1.3	1.6	1.7	2.1	2.5	2.4	2.4	2.1	1.9	1.7
External	1.3	1.5	1.4	0.7	0.7	0.5	0.5	0.4	0.4	0.4
Capital expenditure	3.6	5.0	3.5	4.9	5.0	5.3	5.4	4.9	4.5	4.2
Domestically financed	1.9	2.3	1.9	2.6	2.6	2.9	3.0	2.8	2.5	2.3
Externally financed	1.8	2.7	1.6	2.3	2.3	2.5	2.5	2.0	2.0	1.9
Non-hydrocarbon primary balance[2]	-11.1	-8.9	-6.5	-7.5	-7.9	-7.7	-7.0	-5.8	-4.6	-3.8
Basic non-hydrocarbon primary balance[3]	-9.9	-7.0	-5.8	-5.9	-6.2	-6.0	-5.3	-4.6	-3.4	-2.7
— excluding oil-related transfers[4]	-6.4	-5.3	-4.3	-5.4	-5.6	-5.3	-4.7	-4.1	-2.9	-2.2
Primary balance	11.6	6.7	9.0	7.9	7.0	6.0	5.6	6.1	6.5	6.7
Overall balance, payment order basis										
Excluding grants	8.3	2.6	5.0	4.5	3.2	2.2	1.9	2.7	3.4	3.8
Including grants	8.9	3.5	5.8	5.1	3.8	3.0	2.7	3.5	4.2	4.7
Overall balance, cash basis	8.9	3.5	5.8	5.1	3.8	3.0	2.7	3.5	4.2	4.7
Financing	-10.9	-6.1	-7.9	-7.0	-5.6	-3.0	-2.7	-3.5	-4.2	-4.7
Foreign (net, excluding budgetary support)	-11.1	-6.6	-8.5	-6.0	-6.3	-3.5	-0.5	-0.6	-0.8	-0.6
Drawings	1.2	1.9	0.7	1.6	1.7	1.7	1.7	1.2	1.2	1.1
Amortization (paid)	-9.7	-6.5	-7.0	-5.3	-5.6	-3.4	-2.1	-1.8	-1.9	-1.7
of which: on oil-prepurchased debt	-4.9	-3.3	-3.9	-2.5	-2.8	-0.9	0.0	0.0	0.0	0.0
Others	-2.6	-2.0	-2.3	-2.3	-2.4	-1.8	0.0	0.0	0.0	0.0
Domestic (net, excluding IMF-ECF)	0.2	0.6	0.6	-1.1	0.7	0.5	-2.2	-2.9	-3.5	-4.1
Banking system (net)	3.8	3.2	6.0	0.1	1.7	1.2	0.6	-0.1	-1.2	-2.0
Central bank	1.0	-3.3	0.5	-2.7	-1.6	-2.4	-1.9	-2.0	-1.4	-0.7
of which Use of SDR Allocations	1.5	…	…	…	…	…	…	…		
Commercial banks[5]	2.8	6.5	5.5	2.7	3.2	3.6	2.5	1.8	0.1	-1.3
Nonbank financing[5]	-3.6	-2.7	-5.4	-1.1	-0.9	-0.7	-2.8	-2.8	-2.2	-2.1
Of which: Repayment of domestic arrears	-5.0	-4.3	-5.2	-2.2	-2.2	-1.6	-1.8	-1.8	-1.8	-1.9
Financing gap (- = surplus)	2.0	2.6	2.1	1.9	1.8	0.0	0.0	0.0	0.0	0.0
Expected financing (excluding IMF)	0.7	1.4	0.9	1.4	1.2	0.0	0.0	0.0	0.0	0.0
IMF-ECF	1.2	1.2	1.2	0.6	0.6	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Stock of domestic arrears[6]	16.6	20.6	20.2	16.9	16.5	13.9	11.2	8.8	6.4	4.2
Stock of government deposits	2.7	6.0	2.0	8.3	3.5	5.5	7.0	8.5	9.2	9.1
CEMAC Reference fiscal balance[7]	-4.5	-0.9	1.7	2.2	1.7	2.2	0.6	1.4	2.1	2.5
GDP at current market prices	8,694	8,735	8,593	9,356	9,128	9,662	10,209	10,808	11,510	12,326
Non-hydrocarbon GDP at market prices[8]	6,157	6,680	6,614	7,183	7,097	7,635	8,204	8,823	9,511	10,260

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 hydrocarbon revenues minus total primary expenditures (excluding interest payments).

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

[4] Basic non-hydrocarbon primary balance minus hydrocarbon 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 hydrocarbon revenues and minus 80 percent of the hydrocarbon revenue in excess of the average observed during the three previous years.

[8] Since 2024 the hydrocarbon sector includes the oil and gas sectors, before 2024 the gas sector was in a state of infancy and hence negligible.

Table 3a. Republic of Congo: Quarterly Central Government Operations, Flows, 2024–25
(Billions of CFA francs)

	2024					2025				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	458	579	622	739	2,398	589	598	640	642	2,469
Revenue	452	565	605	718	2,339	582	579	620	615	2,396
Hydrocarbon revenue	229	325	352	449	1,355	329	316	342	329	1,316
of which: repayment of oil-prepurchased debt	20	12	9	5	47	18	15	12	14	59
Non-hydrocarbon revenue	223	240	253	269	984	253	263	278	286	1,080
Direct taxes	100	104	108	104	417	104	109	113	109	435
Taxes on goods and services	78	82	85	82	328	94	98	102	98	394
Customs Receipts	40	38	43	51	172	39	41	47	60	188
Non-tax revenue	5	16	16	31	68	15	15	15	19	64
Grants	6	15	16	22	59	7	19	20	27	73
Expenditure	538	543	533	436	2,050	566	568	567	479	2,179
Current expenditure	394	409	409	386	1,598	414	421	425	403	1,663
Wages	100	109	109	118	435	117	117	117	117	466
Other primary current expenditure	213	228	228	205	874	226	233	237	215	911
Goods and services	47	49	51	43	190	54	57	59	48	218
Transfers	135	149	147	136	567	140	145	147	137	570
Social transfers (Lisungi, COVID-19 and other)	76	69	61	39	245	56	60	58	58	232
Oil-related transfers	20	12	9	5	47	18	15	12	14	59
Other Transfers	39	69	77	91	275	67	70	77	65	279
Common charges	18	16	16	15	65	17	17	17	17	69
Annex budgets and special accounts[1]	14	13	13	12	52	14	14	14	14	55
Interest	81	72	72	63	288	71	71	71	71	286
Domestic	64	57	57	50	227	58	58	58	58	234
External	17	15	15	14	61	13	13	13	13	52
Capital expenditure	143	135	124	50	452	152	147	142	75	516
Domestically financed	77	71	64	25	238	81	78	75	45	278
Externally financed	66	63	60	25	214	71	69	66	31	237
Non-hydrocarbon primary balance[2]	-228	-217	-191	-82	-718	-234	-214	-198	-94	-739
Basic non-hydrocarbon primary balance[3]	-168	-168	-148	-79	-563	-170	-164	-151	-90	-576
— excluding oil-related transfers[4]	-147	-157	-138	-74	-516	-152	-149	-139	-76	-517
Primary balance	1	108	161	367	637	95	102	145	235	576
Overall balance, payment order basis										
Excluding grants	-86	22	72	282	290	16	11	53	136	217
Including grants	-80	36	89	303	348	24	30	73	164	291
Overall balance, cash basis	-80	36	89	303	348	24	30	73	164	291
Financing	-92	-120	-123	-175	-509	-4	-22	-23	-242	-291
Foreign (net, excluding budgetary support)	-116	-130	-140	-192	-577	-11	-28	-35	-262	-336
Drawings	61	49	44	3	156	64	50	47	4	164
Amortization Net (Paid) on principal, external	-176	-123	-129	-86	-514	-75	-78	-81	-91	-325
Others	0	-55	-55	-109	-218	0	0	0	-175	-175
Domestic (net, excluding IMF-ECF)	24	10	17	17	68	7	7	11	20	45
Banking	33	18	38	62	151	14	14	29	59	115
Central Bank (net)	62	-17	-36	-153	-144	-28	-28	-57	-117	-230
Commercial banks (net)	-29	35	74	215	295	41	41	86	176	345
Nonbank financing	-9	-8	-21	-44	-83	-7	-7	-17	-38	-70
Of which: Repayment of domestic arrears	-48	-20	-51	-85	-204	-15	-15	-39	-85	-155
Financing gap (- = surplus)	172	83	34	-128	161	-19	-9	-50	78	0
Expected financing (excluding IMF)	0	11	0	97	108	0	0	0	0	0
IMF-ECF	0	26	0	26	52	0	0	0	0	0
IMF-RCF	0	0	0	0	0	0	0	0	0	0
Residual	172	46	34	-251	0	-19	-9	-50	78	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 hydrocarbon revenues minus total primary expenditures (excluding interest payments).

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

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

Table 3b. Republic of Congo: Quarterly Central Government Operations, Flows, 2024–25

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

	2024					2025				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	458	1037	1658	2398	2398	589	1187	1827	2469	2469
Revenue	452	1016	1622	2339	2339	582	1161	1781	2396	2396
Hydrocarbon revenue	229	554	906	1355	1355	329	645	987	1316	1316
of which: repayment of oil-prepurchased debt	20	32	42	47	47	18	33	45	59	59
Non-hyrocarbon revenue	223	462	715	984	984	253	516	794	1080	1080
Direct taxes	100	204	313	417	417	104	213	326	435	435
Taxes on goods and services	78	160	245	328	328	94	193	295	394	394
Customs Receipts	40	77	120	172	172	39	81	128	188	188
Non-tax revenue	5	21	37	68	68	15	30	45	64	64
Grants	6	21	37	59	59	7	26	46	73	73
Expenditure	538	1081	1613	2050	2050	566	1133	1700	2179	2179
Current expenditure	394	803	1212	1598	1598	414	835	1260	1663	1663
Wages	100	209	318	435	435	117	233	350	466	466
Other primary current expenditure	213	441	669	874	874	226	459	695	911	911
Goods and services	47	96	147	190	190	54	111	170	218	218
Transfers	135	284	431	567	567	140	286	433	570	570
Social transfers (Lisungi, COVID-19 and other)	76	144	206	245	245	56	116	174	232	232
Oil-related transfers	20	32	42	47	47	18	33	45	59	59
Other Transfers	39	108	184	275	275	67	137	214	279	279
Common charges	18	34	50	65	65	17	35	52	69	69
Annex budgets and special accounts[1]	14	27	40	52	52	14	27	41	55	55
Interest	81	153	225	288	288	71	143	214	286	286
Domestic	64	120	177	227	227	58	117	175	234	234
External	17	33	48	61	61	13	26	39	52	52
Capital expenditure	143	278	402	452	452	152	299	440	516	516
Domestically financed	77	148	212	238	238	81	159	234	278	278
Externally financed	66	130	190	214	214	71	140	206	237	237
Non-hydrocarbon primary balance[2]	-228	-445	-636	-718	-718	-234	-448	-646	-739	-739
Basic primary balance	61	218	423	792	792	159	310	502	740	740
Basic non-hydrocarbon primary balance[3]	-168	-336	-484	-563	-563	-170	-334	-485	-576	-576
— excluding oil-related transfers[4]	-147	-304	-442	-516	-516	-152	-301	-441	-517	-517
Primary balance	1	109	270	637	637	95	197	341	576	576
Overall balance, payment order basis										
Excluding grants	-86	-64	8	290	290	16	27	81	217	217
Including grants	-80	-44	45	348	348	24	54	127	291	291
Overall balance, cash basis	-80	-44	45	348	348	24	54	127	291	291
Financing	-92	-211	-334	-509	-509	-4	-26	-49	-291	-291
Foreign (net, excluding budgetary support)	-116	-245	-385	-577	-577	-11	-39	-74	-336	-336
Drawings	61	109	153	156	156	64	114	160	164	164
Amortization Net (Paid) on principal, external	-176	-300	-428	-514	-514	-75	-153	-234	-325	-325
Others	0	-55	-109	-218	-218	0	0	0	-175	-175
Domestic (net, excluding IMF-ECF)	24	34	51	68	68	7	14	25	45	45
Banking	33	51	89	151	151	14	28	56	115	115
Central Bank (net)	62	45	9	-144	-144	-28	-55	-113	-230	-230
Commercial banks (net)	-29	7	80	295	295	41	83	169	345	345
Nonbank financing	-9	-17	-38	-83	-83	-7	-14	-31	-70	-70
Of which: Repayment of domestic arrears	-48	-68	-119	-204	-204	-15	-31	-70	-155	-155
Financing gap (- = surplus)	172	255	289	161	161	-19	-28	-78	0	0
Expected financing (excluding IMF)	0	11	11	108	108	0	0	0	0	0
IMF-ECF	0	26	26	52	52	0	0	0	0	0
Residual	172	218	251	0	0	-19	-28	-78	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 hydrocarbon revenues minus total primary expenditures (excluding interest payments).

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

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

Table 4. Republic of Congo: Medium-Term Balance of Payments, 2022–29
(Billions of CFA francs)

	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
	Prel.	CR 24/2	Proj.	CR 24/2			Proj.			
Current account	1,537	270	552	301	195	126	134	77	-63	-141
of which non-hydrocarbon	-1,271	-1,455	-1,172	-1,509	-1,237	-1,318	-1,371	-1,373	-1,398	-1,454
Trade balance	4,164	2,823	2,919	2,991	2,807	2,698	2,603	2,490	2,378	2,392
Exports, f.o.b.	5,928	5,432	4,834	5,752	4,911	4,865	4,796	4,746	4,778	4,904
Hydrocarbon sector[1]	5,593	4,597	4,476	4,872	4,513	4,419	4,295	4,179	4,137	4,206
Non-hydrocarbon sector	335	835	358	880	399	446	501	567	640	698
Imports, f.o.b.	-1,764	-2,610	-1,915	-2,761	-2,105	-2,168	-2,193	-2,257	-2,400	-2,512
Hydrocarbon sector	-850	-1,289	-973	-1,355	-991	-946	-880	-900	-973	-1,003
Government	-253	-352	-233	-365	-353	-402	-432	-410	-406	-408
Non-hydrocarbon private sector	-661	-968	-710	-1,041	-761	-819	-880	-947	-1,020	-1,101
Balance of services	-1,686	-1,677	-1,538	-1,740	-1,740	-1,741	-1,649	-1,630	-1,626	-1,691
Hydrocarbon sector	-1,250	-886	-1,107	-929	-1,282	-1,257	-1,138	-1,088	-1,049	-1,073
Non-hydrocarbon sector	-436	-791	-431	-811	-458	-484	-512	-542	-577	-618
Income	-1,071	-917	-894	-974	-928	-915	-911	-881	-922	-959
Labor income	-16	-15	-14	-16	-14	-13	-13	-12	-12	-13
Investment income	-1,058	-902	-879	-958	-914	-901	-899	-869	-910	-947
Current transfers (net)	130	41	65	23	56	84	92	98	107	117
Capital account	2	74	72	59	59	73	80	87	95	104
Official grants	54	74	72	59	59	73	80	87	95	104
Debt cancellation	6	0	0	0	0	0	0	0	0	0
Non-financial non-produced assets	-58	0	0	0	0	0	0	0	0	0
Financial account	-2,446	-365	-794	-366	-308	-138	-103	-25	125	345
Direct investment (net)	-779	396	396	442	442	496	502	499	497	530
Portfolio investment	223	139	139	149	149	142	143	145	143	144
Other investment	-1,890	-900	-1,329	-957	-899	-775	-748	-669	-515	-329
Medium and long term	-1,629	-544	-669	-512	-471	-256	66	70	66	84
Public sector	-742	-580	-741	-557	-577	-336	-48	-66	-89	-76
Drawings	101	165	62	154	156	164	171	131	135	136
Project	101	165	62	154	156	164	171	131	135	136
Program	0	0	0	0	0	0	0	0	0	0
Other (collateralized)	0	0	0	0	0	0	0	0	0	0
Amortization[2]	-620	-568	-606	-493	-514	-325	-219	-197	-224	-212
Net change in arrears	0	0	0	0	0	0	0	0	0	0
Others	-223	-176	-197	-218	-218	-175	0	0	0	0
SDR Allocation	0	0	0	0	0	0	0	0	0	3
Private sector	-41	35	73	46	106	80	114	136	154	160
Oil	40	58	57	50	47	38	44	50	55	57
Non-oil	-81	-23	16	-4	60	42	70	86	99	103
Short term	-261	-356	-660	-446	-428	-519	-814	-739	-581	-413
Errors and omissions	316	0	-2	0	-1	0	1	0	0	0
Overall balance of payments	-591	-21	-171	-6	-55	63	112	139	157	307
Financing	643	-205	59	-176	-106	-63	-112	-139	-157	-307
Reserve financing (- = increase)	20	-205	59	-176	-106	-57	-106	-133	-114	-237
Exceptional financing [3]	622	0	0	0	0	-6	-6	-6	-43	0
Financing gap (- = surplus)	171	227	183	182	161	0	0	0	0	0
Expected financing (excluding IMF)	63	122	77	130	108	0	0	0	0	0
IMF-ECF	108	105	106	52	52	0	0	0	0	0
Residual financing gap	0	0	0	0	0	0	0	0	0	0

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

[1] Since 2024 the hydrocarbon sector includes the oil and gas sectors, before 2024 the gas sector was in a state of infancy and hence negligible.

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

[3] Includes repurchases/repayments to the Fund.

Table 5. Republic of Congo: Monetary Survey, 2022–29
(Billions of CFA francs, unless otherwise specified)

	2022	2023	2023	2024	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024	2025	2026	2027	2028	2029
	Prel.	CR 24/2	Prel.	CR 24/2	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	259	347	209	584	233	182	213	322	322	430	595	797	1,025	1,387
Central bank	145	246	50	369	146	72	99	103	103	166	277	416	573	880
Deposit money banks	114	101	160	215	88	110	114	219	219	264	317	381	452	507
Net domestic assets	2,132	2,570	2,532	2,802	2,871	2,850	2,931	2,954	2,954	3,142	3,292	3,375	3,310	3,128
Net domestic credit	2,593	3,030	3,039	3,152	3,295	3,200	3,281	3,304	3,304	3,492	3,642	3,725	3,660	3,478
Net credit to the public sector	1,319	1,707	1,545	1,765	1,761	1,760	1,798	1,749	1,749	1,858	1,914	1,894	1,710	1,396
Net credit to the Government	1,330	1,718	1,592	1,776	1,788	1,806	1,844	1,795	1,795	1,904	1,961	1,940	1,756	1,442
Central bank	731	551	871	353	935	918	882	779	779	544	343	125	-75	-230
Claims	969	1,074	1,047	1,126	1,048	1,048	1,053	1,099	1,099	1,080	1,060	1,039	980	894
Use of IMF Credit	133	238	233	290	234	260	260	285	285	280	274	269	225	155
Deposits	-238	-523	-176	-773	-113	-131	-171	-320	-320	-536	-716	-914	-1,055	-1,124
Deposit money banks	599	1,167	721	1,423	853	889	962	1,016	1,016	1,361	1,617	1,815	1,831	1,672
Claims on public agencies, net	-10	-10	-46	-10	-27	-46	-46	-46	-46	-46	-46	-46	-46	-46
Credit to the economy[1]	1,273	1,323	1,493	1,387	1,534	1,440	1,483	1,556	1,556	1,633	1,727	1,831	1,950	2,083
Credit to the private sector	1,190	1,233	1,251	1,290	1,354	1,223	1,279	1,296	1,296	1,353	1,426	1,508	1,601	1,707
Other items, net	-460	-460	-506	-350	-423.9	-350.0	-350.0	-350.0	-350	-350	-350	-350	-350	-350
Broad money	2,391	2,917	2,742	3,386	3,105	3,032	3,144	3,276	3,276	3,571	3,886	4,172	4,334	4,516
Currency outside banks	430	524	449	609	424	474	492	536	536	584	636	683	709	739
Demand deposits	1,317	1,612	1,565	1,876	1,908	1,817	1,884	1,874	1,874	2,046	2,228	2,394	2,488	2,593
Time deposits	619	755	703	877	734	716	743	841	841	916	997	1,070	1,112	1,159
(Changes in percent of beginning-of-period broad money)														
Broad money	4.6	22.0	14.7	16.1	13.2	10.6	14.7	19.5	19.5	9.0	8.8	7.3	3.9	4.2
Net foreign assets	-4.4	3.7	-2.1	8.1	0.9	-1.0	0.1	4.1	4.1	3.3	4.6	5.2	5.5	8.4
Net domestic assets	9.1	18.3	16.7	7.9	12.4	11.6	14.6	15.4	15.4	5.7	4.2	2.1	-1.6	-4.2
Net domestic credit	17.7	18.3	18.7	4.2	9.4	5.9	8.9	9.7	9.7	5.7	4.2	2.1	-1.6	-4.2
Net credit to the public sector	16.1	16.2	9.5	2.0	7.9	7.8	9.2	7.4	7.4	3.3	1.6	-0.5	-4.4	-7.3
Credit to the economy	1.6	2.1	9.2	2.2	1.5	-2.0	-0.4	2.3	2.3	2.4	2.6	2.7	2.8	3.1
Credit to the private sector	2.5	1.8	2.5	2.0	3.8	-1.0	1.0	1.6	1.6	1.8	2.0	2.1	2.2	2.4
Other items, net	-8.6	--	-1.9	3.8	...	...	...	5.7	5.7	--	--	--	0.0	0.0
(Annual percent changes, unless otherwise indicated)														
Broad money	4.6	22.0	14.7	16.1	29.3	17.7	24.1	19.5	19.5	9.0	8.8	7.3	3.9	4.2
Reserve money	-14.2	62.0	18.0	10.5	10.9	33.5	65.1	46.9	46.9	11.6	17.5	7.3	3.9	4.2
Credit to the economy	3.0	3.9	17.2	4.8	25.7	4.2	3.5	4.2	4.2	5.0	5.8	6.0	6.5	6.8
Credit to the private sector	5.1	3.6	5.1	4.6	19.3	3.7	2.9	3.6	3.6	4.5	5.4	5.7	6.2	6.6
Velocity (Non-hydrocarbon GDP/average M2)	2.6	2.3	2.6	2.1	...	...	...	2.2	2.2	2.1	2.1	2.1	2.2	2.3
(Percent)														
Total nominal GDP growth	17.2	0.5	-1.2	7.1	...	...	...	6.2	6.2	5.8	5.7	5.9	6.5	7.1
Non-hydrocarbon nominal GDP growth[2]	6.6	8.6	7.4	7.5	...	...	...	7.3	7.3	7.6	7.5	7.5	7.8	7.9
Credit to the economy/Non-hydrocarbon GDP	20.7	19.8	22.6	19.3	...	...	...	21.9	21.9	21.4	21.1	20.8	20.5	20.3
Memorandum Items:														
Gross imputed official reserves (CFA billion)	578	783	519	959	592	545	572	625	625	682	788	921	1034	1271
In months of imports	1.9	1.9	1.6	2.3	...	...	...	1.9	1.9	2.1	2.3	2.6	2.8	3.4
Central bank liablities to non-residents	432.9	537.5	469.0	589.6	446.6	472.8	472.8	521.3	521.3	515.8	510.3	504.7	461.4	391.2

Sources: BEAC; and IMF staff estimates and projections.

[1] Private sector and public enterprises.

[2] Since 2024 the hydrocarbon sector includes the oil and gas sectors, before 2024 the gas sector was in a state of infancy and hence negligible.

Table 6. Republic of Congo: Financial Soundness Indicators for the Banking Sector, 2015–23

(Percent, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Core FSIs									
Capital Adequacy[1, 2]									
Regulatory capital to risk-weighted assets	19.5	19.1	22.8	24.9	29.6	18.8	21.8	23.1	17.4
Nonperforming loans net of provisions to capital	15.4	28.3	53.1	71.8	74.7	61.1	30.2	27.9	26.4
Asset Quality									
Nonperforming loans to total gross loans	5.0	8.0	16.2	22.5	27.5	21.0	16.9	16.8	15.2
Provisions to nonperforming loans	51.9	38.6	35.8	36.7	35.9	53.0	64.2	62.4	65.5
Earnings and Profitability									
Return on assets	2.1	1.6	1.5	1.2	0.6	1.1	2.2	2.4	3.1
Return on equity	16.2	8.0	7.2	4.6	1.2	6.3	12.0	13.0	19.4
Liquidity									
Liquid assets to total assets	21.1	16.7	22.7	26.8	23.8	26.9	27.2	30.9	32.1
Liquid assets to short-term liabilities	116.1	104.4	146.6	176.0	152.0	174.4	175.9	173.6	195.0
Additional FSIs									
Large exposures to capital	187.2	154.2	157.5	157.2	133.6	126.0	104.7	107.8	97.1
Trading income to total income	11.1	6.8	40.1	47.3	38.6	163.6	-7.1	-21.5	73.5
Personnel expenses to noninterest expenses	22.1	24.2	13.8	10.5	11.1	25.1	23.4	24.2	3.9
Customer deposits to total (noninterbank) loans	125.5	102.8	93.6	91.5	104.3	112.1	111.2	133.1	144.6
FX loans to total loans	2.4	2.2	5.0	3.0	0.7	0.1	0.1	0.1	0.0
Residential real estate loans to total gross loans	1.7	1.5	0.7	0.6	0.7	1.5	2.4	2.9	2.4
Commercial real estate loans to total gross loans	0.1	0.0	0.3	0.4	0.3	0.9	0.3	0.1	0.1

Sources: IMF Financial Soundness Indicators.

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

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

Table 7. Republic of Congo: Gross Fiscal Financing Needs, 2022–29

(Billions of CFA francs)

	2022 Prel.	2023 Prel.	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj
A. Overall fiscal balance (cash basis) [-=surplus]	-778	-499	-348	-291	-276	-381	-487	-577
B. Financing needs	2211	2134	1977	2229	2073	2178	2234	2155
Amortization (including arrears)	1958	1894	1610	1820	1873	1961	2072	2066
External	888	617	514	325	219	197	224	212
Amortization due	883	607	514	325	219	197	224	212
ow DSSI amortization	0	-73	-74	-20	-20	0	0	0
Domestic	1070	1277	1095	1494	1654	1764	1848	1853
Amortization due	639	827	891	1340	1465	1571	1646	1619
Repayment of domestic arrears	431	450	204	155	189	193	202	235
BEAC	19	-68	144	230	195	213	157	85
Repayment of statutory advances	0	0	0	14	15	15	16	16
Change in government deposits (+ = an increase)	19	-68	144	216	180	197	142	69
Commercial Banks	10	111	5	5	5	5	5	5
Change in government deposits (+ = an increase)	10	111	5	5	5	5	5	5
Other external financing	223	197	218	175	0	0	0	0
Errors and omissions	0	0	0	0	0	0	0	0
C=A+B Total financing needs	1433	1635	1629	1938	1796	1797	1748	1578
D. Identified sources of financing	1262	1452	1468	1938	1796	1797	1748	1578
External	146	80	156	164	171	131	135	136
Project financing	101	62	156	164	171	131	135	136
Loans	101	62	156	164	171	131	135	136
Domestic	1117	1372	1313	1774	1625	1666	1612	1441
SDR allocation channeled through BEAC	130	-5	0	0	0	0	0	0
Commercial bank and non-bank financing	1008	1394	1313	1774	1625	1666	1612	1441
Other	-21	-17	0	0	0	0	0	0
E=C-D Financing gap (-=overfinancing)	171	183	161	0	0	0	0	0
F. Exceptional external financing (excl. IMF)	63	73	108	0	0	0	0	0
Multilateral	44	60	97	0	0	0	0	0
Bilateral	20	13	11	-	-	-	-	-
G=E-F Residual financing needs	108	110	52	0	0	0	0	0
IMF-ECF	108	106	52	0	0	0	0	0

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

Table 8. Republic of Congo: Public Debt by Creditor, 2023–25 [1]

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

	Debt Stock (end of period)			Debt Service						
	2023			2023	2024	2025		2023	2024	2025
	(USD Million)	(Percent total debt)	(Percent GDP)[6]	(USD Million)				(Percent GDP)		
Total	14,120	100.0	99.0	3,576	3,114	3,455		25.9	20.7	23.0
External	5,614	39.8	39.4	1,227	940	604		8.7	6.2	4.0
Multilateral creditors[2]	1,567	11.1	11.0	86	61	68		0.6	0.4	0.4
IMF	344	2.4	2.4	…	…	…	…	…	…	…
World Bank	608	4.3	4.3	…	…	…	…	…	…	…
ADB/AfDB/IADB	495	3.5	3.5	…	…	…	…	…	…	…
Other Multilaterals	121	0.9	0.8	…	…	…	…	…	…	…
o/w: BDEAC	81	0.6	0.6	…	…	…	…	…	…	…
IFAD	23	0.2	0.2	…	…	…	…	…	…	…
Bilateral Creditors	2,635	18.7	18.5	355	345	299		2.5	2.3	1.9
Paris Club	487	3.4	3.4	89	77	46		0.6	0.5	0.3
o/w: France	279	2.0	2.0	…	…	…	…	…	…	…
Belgium	93	0.7	0.7	…	…	…	…	…	…	…
Non-Paris Club	2,148	15.2	15.1	265	269	253		1.9	1.8	1.6
o/w: China	1,760	12.5	12.3	…	…	…	…	…	…	…
India	84	0.6	0.6	…	…	…	…	…	…	…
Commercial creditors	1,412	10.0	9.9	786	534	237		5.5	3.6	1.5
o/w: Bonds	197	1.4	1.4	39	38	40		0.3	0.3	0.3
Other international creditors	1,215	8.6	8.5	747	496	197		5.3	3.3	1.2
o/w: Largest two creditors	558	4.0	3.9	…	…	…	…	…	…	…
o/w: Glencore	349	2.5	2.4							
o/w: Trafigura	210	1.5	1.5							
Others	656	4.6	4.6	…	…	…	…	…	…	…
Domestic[3]	8506	60.2	59.6	2349	2174	2851		16.6	14.5	18.0
T-Bills and Bonds[4]	4036	28.6	28.3	1216	1551	1740		8.6	10.3	11.0
Loans	1483	10.5	10.4	27	27	27		0.2	0.2	0.2
Memo items:										
Collateralized debt[4]										
o/w: Related	558	…	3.9	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…
Contingent liabilities										
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities[5]	267	…	1.9							
Nominal GDP	14,169	…	…	…	…	…	…	…	…	…

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

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

[3] Domestic debt service includes arrears repayment.

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

Table 9. Republic of Congo: External Arrears, 2022–2024

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

	December 2022 stock			June 2023 stock			December 2023 stock			10 June 2024 stock			10 June 2024 (Excl. unrestructured pre-HIPC arrears)		
	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total	**312.4**	**504.3**	**3.6**	**301.7**	**498.5**	**3.5**	**297.8**	**495.1**	**3.5**	**300.1**	**493.6**	**3.3**	**2.3**	**3.8**	**0.0**
Multilateral and other creditors	0.0	0.0	0.0	3.7	6.1	0.0	0.0	0.0	0.0	0.2	0.4	0.0	0.2	0.4	0.0
Bilateral	86.7	140.0	1.0	72.4	119.6	0.8	72.2	120.0	0.8	74.3	122.1	0.8	2.1	3.4	0.0
Paris Club	11.9	19.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	5.7	9.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	6.2	10.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Paris Club	74.9	120.9	0.9	72.4	119.6	0.8	72.2	120.0	0.8	74.3	122.1	0.8	2.1	3.4	0.0
United Arab Emirates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Libya	0.0	0.0	0.0	0.0	0.0	0.0	1.4	2.3	0.0	2.1	3.4	0.0	2.1	3.4	0.0
Angola	69.8	112.6	0.8	68.2	112.7	0.8	69.0	114.8	0.8	69.0	113.5	0.8	0.0	0.0	0.0
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India Exim Bank	1.9	3.1	0.0	1.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Arabia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Abu Dhabi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postal debt	3.1	5.1	0.0	3.1	5.2	0.0	3.1	5.2	0.0	3.1	5.2	0.0	0.0	0.0	0.0
Private Creditors	225.7	364.3	2.6	225.7	372.9	2.6	225.7	375.1	2.6	225.7	371.1	2.5	0.0	0.0	0.0
CMEC and Chinese companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eurobond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Afreximbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil traders	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Suppliers	225.7	364.3	2.6	225.7	372.9	2.6	225.7	375.1	2.6	225.7	371.1	2.5	0.0	0.0	0.0

Source: Congolese authorities and IMF staff estimates.

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

(Millions of SDRs, unless otherwise stated)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
IMF obligations based on existing credit															
Principal	0.0	6.5	6.5	19.4	38.9	58.3	51.8	51.8	38.9	19.4	0.0	0.0	0.0	0.0	0.0
Charges and interest	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3
IMF obligations based on prospective credit															
Principal	0.0	0.0	0.0	0.0	0.0	0.0	13.0	13.0	13.0	13.0	13.0	0.0	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit															
SDR millions	9.3	15.8	15.8	28.7	48.2	67.6	74.1	74.1	61.1	41.7	22.2	9.3	9.3	9.3	9.3
CFAF billions	7.5	12.8	12.9	23.5	39.6	55.6	61.0	61.0	50.3	34.3	18.3	7.6	7.6	7.6	7.6
Percent of exports of goods and services	0.1	0.3	0.3	0.5	0.8	1.1	1.2	1.1	0.9	0.6	0.3	0.1	0.1	0.1	0.1
Percent of debt service[1]	1.3	3.4	4.8	9.7	14.7	21.7	24.1	23.7	19.1	14.7	8.7	3.7	3.6	3.4	3.4
Percent of GDP	0.1	0.1	0.1	0.2	0.3	0.5	0.5	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Percent of tax revenue	0.3	0.6	0.5	0.9	1.5	2.0	2.0	1.9	1.5	1.0	0.5	0.2	0.2	0.2	0.2
Percent of quota	5.8	9.7	9.7	17.7	29.7	41.7	45.7	45.7	37.7	25.7	13.7	4.7	4.7	4.7	4.7
Outstanding IMF credit based on existing and prospective drawings															
SDR millions	356.4	349.9	343.4	324.0	285.1	226.8	162.0	97.2	45.4	13.0	0.0	0.0	0.0	0.0	0.0
CFAF billions	288.1	284.7	280.5	265.6	234.7	186.7	133.3	80.0	37.3	10.7	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	5.7	5.7	5.7	5.4	4.8	3.7	2.6	1.5	0.7	0.2	0.0	0.0	0.0	0.0	0.0
Percent of debt service[1]	50.0	75.4	105.1	109.0	87.2	72.9	52.8	31.1	14.2	4.6	0.0	0.0	0.0	0.0	0.0
Percent of GDP	3.2	2.9	2.7	2.5	2.0	1.5	1.0	0.6	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Percent of tax revenue	12.7	12.2	11.6	10.5	8.9	6.6	4.5	2.5	1.1	0.3	0.0	0.0	0.0	0.0	0.0
Percent of quota	220.0	216.0	212.0	200.0	176.0	140.0	100.0	60.0	28.0	8.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:															
Exports of goods and services (CFAF billions)	5,049	5,008	4,944	4,900	4,938	5,071	5,200	5,328	5,466	5,570	5,686	5,683	5,573	5,416	5,304
External Debt service (CFAF billions)[1]	576	378	267	244	269	256	253	257	263	233	210	208	214	222	222
Nominal GDP (CFAF billions)	9,128	9,662	10,209	10,808	11,510	12,326	13,197	14,122	15,119	16,171	17,304	18,458	19,642	20,894	22,271
Tax revenue (CFAF billions)	2,271	2,332	2,420	2,521	2,647	2,811	2,985	3,172	3,376	3,577	3,798	4,040	4,258	4,466	4,681
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

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: Proposed Quantitative Performance Criteria (PC) and Indicative Targets (IT), 2023-24

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

	Type of Criteria	End-June 2023				End-Sept 2023				End-Dec 2023				End-Mar 2024				End-June 2024	
		PC Program	PC Modified Program	Actual	Status	IT Program	IT Modified Program	Actual	Status	PC Program	PC Modified Program	Actual	Status	IT Program	IT Modified Program	Actual[10]	Status	PC Program	PC Modified Program
Floor on basic non-hydrocarbon primary budget balance (excluding oil-related transfers)[2]	PC	-303	-244	-233	Not Met	-444	-369	-336	Not Met	-459	-459	-369	Met	-132	-147	-		-290	-304
Adjusted target (floor)			-172				-308				-433								
Upward adjustment for higher than expected oil-related transfers			0				2				0								
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower hydrocarbon revenue			72				59				26								
Ceiling on net domestic financing of the central government	PC	-47	166	127	Met	-121	122	86	Met	-67	153	158	Met	-33	-10	-		6	60
Adjusted target (ceiling)			340				181				179								
Downward (Upward) adjustment for higher (lower) than expected net external assistance and hydrocarbon revenue			174				59				26								
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3]	PC	0	0	0	Met	0	0	13	Not Met	0	0	0	Met	0	0	28.5	Not Met	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,4,5,7]	PC	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,6]	PC	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0
Floor on non-hydrocarbon revenues	IT	405	415	444	Met	632	638	660	Met	868	880	875	Not Met	224	232	-		472	462
Floor for social and poverty-reducing spending	IT	181	181	98	Not Met	322	322	166	Not Met	402	308	232	Not Met	85	82	-		165	165
Ceiling on disbursements of external loans for investment projects	IT	123	121	108	Met	176	168	50	Met	164	165	62	Met	62	58	-		105	109
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion)[4,7]	IT	86	87	82	Met	100	102	82	Met	143	216	135	Met	174	216	-		216	216
Floor on repayment of domestic arrears accumulated by the central government	IT	40	53	102	Met	90	81	129	Met	110	379	450	Met	21	20	-		41	68
Memo items:																			
Hydrocarbon revenue[8]		584	553	655		965	873	811		1195	1205	1201		321	347			681	522
Expected external assistance, net[9]		-239	-219	-363		-364	-327	-383		-484	-401	-449		-91	-108			-195	-206
- BoP assistance (IMF-ECF)		83	79	52		83	79	79		105	105	106		0	0			26	26
- Budgetary loans and grants (excl. IMF)		88	79	39		127	121	71		194	196	149		38	6			33	32
Payments for current external debt amortization due after debt relief		328	298	402		491	448	454		678	597	599		129	114			228	238

[1] Quantitative Performance Criteria and Indicative Targets are defined in the TMU. For the last quarter of 2023 and first quarter of 2024, "Program" columns reported represent the PCs and ITs set at the time of the third review of the ECF arrangement while "Modified Program" columns repersent the modifications approved at the time of the fourth review. For end-June 2024, "Program" columns represent the PCs and ITs set at the time of the fourth review while "Modified Program" columns represent the modifications to these PCs and ITs proposed during the fifth review of the ECF arrangement.

[2] Defined as non-hydrocarbon 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. Since 2024 the hydrocarbon sector includes the oil and gas sectors, before 2024 the gas sector was in a state of infancy and hence negligible.

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

[10] Reported new external arrears were accumulated through June 2024.

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

Measures	Target date	Status	Macroeconomic Rationale
Increase the resources available to cash transfer programs (Lisungi and Telema Projects) by 15 percent compared to the amounts allocated in 2022, making it possible to increase coverage and payment for beneficiary households.	End-July 2023	Not met[1]	Reduce fragility, maintain social stability, reduce inequalities, and promote social inclusion.
Formalize a standard methodology for the preliminary assessment of projects, considering climate aspects, including risk analysis.	End-December 2023	Met	Improve public investment management.
Approval of the new CCA organigram by the Council of Ministers and subsequent submission to parliament.	End-December 2023	Met	Improve transparency and manage debt-related risks.
Enactment of hydrocarbon-related VAT tax laws, eliminating VAT exemptions in the process. [2]	End-March 2024	Not met	Improve tax administration and support domestic revenue mobilization efforts.
Publish first quarterly debt bulletin with detailed central government and state-owned enterprise stock and flow information.	End-March 2024	Met	Improve transparency and manage debt-related risks.
Complete reorganization of CCA meeting: 1) all laws and regulations needed for reorganization enacted, 2) sufficient staff recruited, 3) necessary staff training completed, 4) procedures' manual adopted.	End-March 2024	Not met (elevated to prior action) [3]	Improve transparency and manage debt-related risks.
Require submission of conflict-of-interest declarations for high-level officials at least, and publication of the declarations by the High Authority for the Fight against Corruption.	End-April 2024	Not met (elevated to prior action)[4]	Reduce corruption, improve governance, and protect public resources.

[1] The authorities transferred an allocation of CFAF 4.5bn in 2023 to the cash transfers program's management unit.

[2] This SB could not be achieved because the authorities decided it would be better to revamp the 2005 decree governing the price structure to simplify it and align it with current practices. The draft decree has been finalized and is awaiting approval by the Council of Ministers. As a result, the SB is now proposed to be scheduled for completion in September 2024.

[3] All laws and regulations as well as the procedures' manual were adopted on time. Staff recruitment and training are underway.

[4] Conflict of interest declaration campaign closed on time, but publication was delayed.

Table 13a. Republic of Congo: Structural Benchmarks 2023–24 (concluded)

Measures	Target date	Status	Macroeconomic Rationale
Develop the 2024 action plan for implementing remaining recommendations from the 2018 governance diagnostic report.	End-June 2024		Reduce corruption, improve governance.
Fully operationalize the modules for cash management, fiscal reporting, treasury, and procurement of the new Expenditure Tracking Software (SIGFIP).	End-June 2024		Improve transparency and governance and protect public resources.

Table 13b. Republic of Congo: New Structural Benchmarks 2024

Measures	Target date	Status	Macroeconomic Rationale
The ministry of social affairs commits to spending at least CFAF 6 billion on behalf of *the programme national de filets sociaux* (PNFS) and the treasury makes this amount available to enable effective transfers to the beneficiaries.	End-July 2024		Reduce fragility, maintain social stability, reduce inequalities, and promote social inclusion.
Enactment of hydrocarbon-related VAT tax laws, eliminating VAT exemptions in the process.	End-September 2024		Improve tax administration and support domestic revenue mobilization efforts.
Finalize the modules for accrual accounting and program budgeting of the Expenditure Tracking Software (SIGFIP).	End-November 2024		Improve transparency and governance and protect public resources.

Table 14. Republic of Congo: Proposed Prior Actions

Measures	Status	Macroeconomic Rationale
Complete reorganization of CCA meeting: 1) all laws and regulations needed for reorganization enacted, 2) sufficient staff recruited and directors nominated, 3) necessary staff training completed, 4) procedures' manual adopted.		Improve transparency and manage debt-related risks.
Require submission of conflict-of-interest declarations for high-level officials at least, and publication of the declarations by the High Authority for the Fight against Corruption. [1]	Met	Reduce corruption, improve governance, and protect public resources.

[1]The declarations can be accessed at Haute Autorité de Lutte Contre la Corruption - République du Congo (halc.cg).

Table 15. Social Spending 2022–2024
(Billions of CFAF)

ITEM	2022 Budgeted	2022 Actual	2022 Execution rate (percent)	2023 Budgeted	2023 Actual	2023 Execution rate (percent)	2024 Q1 Actual	2024 Q1 Execution rate (percent)	2024 Budget
Basic health and fight against disease	**174.3**	**110.3**	**63.3**	**196.6**	**74.8**	**38.0**	**20.1**	**11.2**	**179.6**
Acquisition and management program of essential and generic drugs, biological and reagent check-up	6.2	4.9	79.0	7.4	12.1	162.7	0.6	7.8	7.3
Program of free AIDS drugs, biological and reagent check-up	18.0	1.8	9.8	17.1	0.8	4.8	0.8	5.3	15.4
AIDS education and outreach campaign	0.5	0.7	134.7	0.5	0.3	60.6	0.1	13.7	0.4
Malaria and other diseases control program	15.1	5.5	36.2	16.5	5.4	32.8	0.7	4.3	17.1
Extended vaccination program	12.9	4.8	37.6	12.8	1.1	8.8	0.6	4.3	12.9
Response to epidemics	17.6	15.2	86.4	14.7	0.8	5.7	0.7	8.1	8.4
Free caesarean section program	2.4	1.1	45.6	2.5	0.4	14.3	0.1	5.0	2.3
Tuberculosis control program	0.5	1.4	288.3	0.5	0.7	145.1	0.2	44.1	0.4
Program for the control of non-contagious diseases, including trypanosomiasis and onchocerciasis	0.7	0.3	45.6	0.7	0.5	70.1	0.1	15.7	0.7
Revitalization of health districts through the purchase of medical-technical equipment and functioning of hospitals and health centers	73.0	54.8	75.0	99.2	48.1	48.5	15.9	17.8	89.3
Construction and rehabilitation of general and basic hospitals as well as health centers in towns and rural centers	23.2	14.0	60.5	19.3	0.0	0.0	0.3	1.5	19.9
Women's and teenager health	4.2	5.8	139.5	5.6	4.6	81.7	0.1	1.8	5.3
Basic education	**102.6**	**55.9**	**54.5**	**144.4**	**87.8**	**60.9**	**24.2**	**14.9**	**161.9**
Construction and rehabilitation of school buildings	6.5	1.7	25.6	10.5	1.2	11.5	0.0	0.0	13.8
Program of free school supplies, textbooks and tuition fees as well as teaching materials in primary, secondary general, technical and vocational schools	24.3	15.6	64.3	26.5	16.5	62.1	3.8	14.4	26.3
School canteen program	5.1	3.9	76.2	7.1	4.5	63.2	0.0	0.0	6.3
Strengthening the capacities of the education and research system	27.0	29.4	108.6	62.8	63.0	100.2	13.9	17.5	79.5
Scholarships, school and university aid	30.5	4.4	14.4	31.5	2.7	8.6	6.5	24.2	26.8
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	1.0	10.9	5.9	0.0	0.0	0.0	0.0	9.2
Infrastructures for improved access	**52.2**	**30.6**	**58.7**	**58.2**	**8.6**	**14.8**	**0.0**	**0.0**	**100.2**
Construction and rehabilitation of rural and agricultural roads through the Commercial Agriculture Development Program (PDAC)	5.3	9.8	185.2	6.6	0.0	0.0	0.0	0.0	10.0
River maintenance, dredging and tagging	2.7	3.1	116.6	4.9	0.5	10.3	0.0	0.0	6.8
Community projects and revitalization of the village fabric	0.7	0.0	0.0	0.0	0.0	-	0.0	-	0.0
Construction and repair of access infrastructure (roads, bridges, etc.)	43.5	17.7	40.7	46.7	8.1	17.3	0.0	0.0	83.4
Electricity, water and sanitation	**69.8**	**59.6**	**85.3**	**55.9**	**27.4**	**49.0**	**1.9**	**3.6**	**51.9**
"Water for all" program to continue the drinking water supply operation in urban and rural centers	10.7	7.4	68.8	10.0	2.2	21.6	0.3	4.8	6.5
Construction of electrical works for population access to energy	16.7	4.3	26.0	17.6	7.0	40.1	0.3	1.6	21.1
Sanitation of towns and, as a consequence, the cleaning of gutters and the destruction of breeding sites	42.4	47.9	112.9	28.4	18.2	64.1	1.2	5.1	24.3
Social protection and employment	**58.9**	**21.9**	**37.2**	**76.4**	**28.1**	**36.9**	**6.4**	**12.0**	**53.6**
Charitable actions and social assistance	0.7	0.3	43.7	0.7	0.4	54.7	0.0	4.5	0.7
Integration and social and economic reintegration of disabled people and minorities	0.4	0.3	67.6	0.6	2.3	378.5	0.1	18.3	0.6
Support for vulnerable people and street children	28.1	21.3	75.5	43.4	25.4	58.6	1.5	5.1	28.6
Of which: National Social Safety Nets Program	-	-	-	-	-	-	0.0	0.0	12.0
Social Safety Nets Support Program (Lisungui Projects)	0.2	3.5	1920.8	0.2	0.0	0.0	0.0	0.0	0.2
Lisungui Projects	14.8	14.8	99.9	17.9	0.0	0.0	0.0	0.0	1.0
Self-employment and training for small trades through income-generating activities for the benefit of young people in general and particularly unemployed young people	2.7	0.1	1.9	3.2	0.0	0.6	0.3	25.0	1.2
Implementation of universal health insurance	26.9	0.0	0.1	28.4	0.0	0.0	4.5	20.1	22.6
Agriculture, fishing and livestock	**16.9**	**10.1**	**59.9**	**20.1**	**8.2**	**40.9**	**1.6**	**12.8**	**12.7**
Supervision program for market gardeners in urban and rural centers	9.9	6.0	60.8	12.3	4.6	37.9	0.0	0.0	5.2
Improved seed distribution program	0.5	1.3	241.1	0.8	0.5	59.7	0.2	27.0	0.7
Agricultural techniques outreach and demonstration program	2.7	2.2	83.0	3.1	2.2	71.8	0.8	26.5	3.0
Livestock techniques demonstration program	3.7	0.5	13.8	3.8	0.8	19.9	0.6	16.6	3.6
Bovine sharecropping program	0.1	0.1	77.7	0.1	0.1	93.6	0.0	26.4	0.1
Promotion of women	**4.8**	**2.3**	**47.9**	**5.6**	**1.5**	**26.8**	**1.3**	**23.8**	**5.4**
Gender issue	2.9	1.6	56.3	2.8	1.1	39.4	0.6	20.1	3.0
Self-employment and training in small trades through income-generating activities for the benefit of women and young mothers	2.0	0.7	35.6	2.8	0.4	14.0	0.7	28.6	2.3
TOTAL	**479.5**	**290.7**	**60.6**	**557.0**	**236.4**	**42.4**	**55.5**	**9.8**	**565.3**

Source: Congolese authorities.

Annex I. Risk Assessment Matrix[1]

Risks	Likelihood	Impact if Realized	Policy Response
		Conjunctural risks	
Intensification of regional conflicts. Escalation or spread of regional conflicts in the middle east, eastern Europe or elsewhere disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	**High**	**High** Negative spillovers could be manifold, affecting inflation, investment, trade, and economic growth. Overall, they may exacerbate debt sustainability pressures. Security issues in the Central African region could result in fiscal pressures.	Continue fiscal and structural reforms to reduce external imbalances and build buffers, enhance competitiveness, and deepen regional integration.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, uncertainty, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.	**High**	**High** Given Congo's dependency on oil revenue and export proceeds, higher-than-expected commodity prices are an upside risk that could support the fiscal strategy and the external sector, and efforts to diversify the economy. Oil supply disruptions in Congo are a downside risk as they weigh negatively on the domestic economic cycle. Conversely, lower oil prices and oil revenues would increase fiscal and external vulnerabilities and spillover to non-oil economic activity. Continued food price pressures could add to domestic inflation and intensify food insecurity.	Employ higher-than-projected oil revenues: (i) to build up fiscal buffers and proceed with structural reforms aimed at diversifying the economy, enhancing competitiveness, and deepening regional integration; and (ii) continue with reform measures that reduce Congo's vulnerabilities and attract investments to the country. Accelerate mobilization of non-oil revenues and further streamline non-priority spending. Bolster social assistance programs to help the most 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
Conjunctural risks			
Abrupt global slowdown. Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation causing sudden stops in EMDEs.	**Medium**	**High** With limited fiscal space, this could jeopardize economic recovery and exacerbate debt sustainability pressures.	Continue fiscal and structural reforms to: (i) reduce external imbalances and vulnerabilities; (ii) enhance competitiveness and deepen regional integration; and (iii) improve investor confidence and increase the capacity of the economy to attract investment.
Monetary policy miscalibration. Amid high economic uncertainty, major central banks loosen policy stance prematurely, hindering disinflation, or keep it tight for longer than warranted, causing abrupt adjustments in financial markets, and weakening the credibility of central banks.	**Medium**	**Medium** Any spill-over to the regional currency union could result in downward pressure on local interest rates. Upward pressure on the dollar, would weaken the CFA franc and potentially reduces the attractiveness of investing in Congo.	Continue fiscal and structural reforms to: (i) reduce external imbalances and vulnerabilities; (ii) enhance competitiveness and deepen regional integration; and (iii) improve investor confidence and increase the capacity of the economy to attract investment.
Structural risks			
Deepening geo-economic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	**High**	**Medium** Limited movement of food, basic goods, and refined fuels across countries may cause shortages and price increases in Congo. Reduced financing inflows may delay investment projects.	Step up efforts to improve the quality of public spending and priorities, as well as improve investment planning and resource management. Improve stocks/inventories management and distribution mechanism. Improve efficiency of custom administration.

Risks	Likelihood	Impact if Realized	Policy Response
		Structural risks	
Disorderly energy transition. A disorderly shift to net-zero emissions (e.g., owing to shortages in critical metals) and climate policy uncertainty cause supply disruptions, stranded assets, market volatility, and subdued investment and growth.	**Medium**	**Medium** With a heavy reliance on oil, a disorderly energy transition would have adverse short- to medium-term effects on Congo. This includes heightened uncertainty and volatility in energy prices that may curb investment and economic growth while exacerbating inflationary pressures and reducing fiscal space.	Advancing structural reforms, including fuel subsidies removal, is essential to unlocking resources that can be redirected toward bridging the gap in investing in energy transition and accelerating economic diversification away from fossil fuel.
Extreme climate events. Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	**Medium**	**Medium/High** Lower domestic production in the agricultural sector, and negative implications for food security and incomes.	Strengthen food security and rural development programs. Promote investment in climate resilient infrastructure and address infrastructure gaps and income disparities among regions, while establishing appropriate social safety nets. Engage in prevention, preservation, and catastrophe contingency planning.
		Country-specific risks	
Social discontent. High inflation, real income loss, and spillovers from crises in other countries (including migration) worsen inequality, trigger social unrest, and give rise to financing pressures and detrimental populist policies. This exacerbates imbalances, slows growth, and triggers market repricing.	**Medium**	**High** Protracted fiscal adjustments. Political uncertainty affects market confidence, private investment, and financing flows, delays economic and policy reforms, and weakens institutions.	Enhance targeted social policies and strengthen social safety nets. Maintain fiscal discipline. Improve governance, transparency and accountability and reduce corruption. Involve CSOs and other stakeholders in policy decisions.
Weak implementation of structural reforms. Key structural reforms included those to enhance the fiscal position and governance, are not implemented.	**Medium**	**High** Negative impact on investment, the support from development partners and ultimately on long term economic growth.	Enhance the institutional framework to be able to implement critical reforms without delay.

Risks	Likelihood	Impact if Realized	Policy Response
		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.	**Medium**	**Medium** Insufficient prioritization of government spending, inconsistent arrears repayment, and an increase in public debt resulting in risks to macroeconomic stability and risks of higher social and political instability and crowding out private credit. Pressure on foreign reserves.	Improve coordination between government ministries to ensure that spending is properly prioritized. Implement TA recommendations on PFM, strengthening cash management and budget execution. Identify additional fiscal measures to create fiscal space for crisis support. Implement SOE and governance reforms.
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 an economy remaining 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.

Annex II. Capacity Development Strategy 2024–2026

A. Context

1. Economic growth is gaining momentum as the authorities implement vital reforms. In 2023, economic growth improved to an estimated 2.0 percent, up from 1.8 percent in 2022, primarily driven by the non-hydrocarbon sector. Under the program and in line with the previous capacity development strategy, the authorities have implemented a wide range of reforms falling into three categories. Firstly, efforts were made to increase fiscal space, aiming to reduce debt vulnerabilities and facilitate necessary investment and social spending. Secondly, there was a focus on improving debt management to address persisting issues related to debt sustainability and repayment. Lastly, reforms were directed towards strengthening governance and fiscal transparency to enhance country's institutions, business, and social climate. Collectively, these measures are intended to support the country's diversification strategy and create a conducive environment for sustainable and inclusive economic growth.

B. CD Strategy and Priorities

2. Congo's fragility and weak capacity call for an adapted and comprehensive strategy. Congo is a medium intensity user of Fund technical assistance (TA). Historically, implementation track record has been mixed due to weak absorption and implementation capacity, and some volatility in reform willingness. However, under the current ECF arrangement, reforms have gained momentum, as evidenced by the implementation of key measures such as the enactment of a new anti-corruption law, fuel subsidies reform, and the successful completion of four ECF arrangement reviews. The latest Capacity Development Strategy (CDS) seeks to consolidate these efforts. It builds on lessons learnt from previous experience for absorption capacity and on the 2024 Article IV's recommendations for prioritization. Current and future capacity development (CD) focuses on the following issues: *i)* revenue and expenditures based fiscal consolidation, *ii)* public financial and debt management reforms to support the improvement of the fiscal position and address debt vulnerabilities, *iii)* fiscal and debt transparency, *iv)* the strengthening of governance reforms, and *v)* improved quality of statistics needed for surveillance including national accounts and the Balance of Payments.

3. The strategy is tailored to ensure sustainability of the current reform momentum. The strategy is predominantly supported by field-based missions (including from experts based in the Fund's headquarter (HQ) and regional experts), especially for issues relating to fiscal policy and debt management, complemented by remote missions when needed. The proximity of dedicated experts in the field has proved effective in ensuring progress and implementation of key reforms. The presence of a resident fiscal advisor and increased capacity of the Fund's Regional Technical Assistance Center for Central Africa (AFC) including through the hiring of a regional long-term expert (LTX) for balance of payment issues—an area where Congo needs to make additional progress—benefitted Congo. Continuity remains key to a successful CD strategy, highlighting the relevance of anticipated increases in training activities, especially in the areas of debt management and statistics.

Key CD Priorities: Objectives and Challenges

Priorities	Objectives
Tax Policy and Revenue Administration	Increase non-oil revenues. Areas of particular importance include the reduction of tax exemptions and the recovery of tax arrears and the modernization of customs administration.
PFM	Improve fiscal transparency, budget preparation, execution, control, cash management, arrears prevention and fiscal risks. Support the authorities in their reform on fuel subsidies and social spending.
Strengthen statistics compilation and dissemination	Improve data coverage, timeliness, and methodology of national accounts data, prices and high-frequency data, and access to relevant sources. Produce timely annual BoP data, start producing quarterly BoP statistics and the IIP data.
Debt management	Strengthen debt management capacity and improve consistency between borrowing decisions and the Medium-Term Debt Strategy.
Governance and Anti-corruption	Support the authorities' efforts to improve governance, fight corruption, and strengthen the anti-corruption framework by effective implementation of the laws that have been adopted.
Banking system	Reduce financial sector vulnerabilities and ensure plans that the resolution of banks under stress follow best international practice.

4. **The authorities endorsed the CD strategy, noting that the identified priorities align well with their needs.** They emphasized the importance of ensuring continuity with the previous strategy and pursuing efforts that have already been initiated to maximize impacts. The authorities appreciate the support provided by the Fund in all its forms, including the presence of a resident advisor and support from AFC and HQ-based experts. However, they highlighted the need for enhanced coordination between the Fund and the government, particularly in terms of mission scheduling, to improve absorption capacity. Closer cooperation between Fund teams and their counterparts in the Ministry of Finance's cabinet should ensure follow-up and execution of reforms.

5. **Main risks stem from a potential decline in the authorities' commitment to reform.** Despite progress during the program period, concerns persist over slower reform implementation

due to reform fatigue, rising social discontent, limited economic incentives amidst elevated oil prices, and reduced absorption capacity as other development partners ramp up support. Staff are actively monitoring these developments with assistance from the AFC, resident advisors, and the Resident Representative Office to adjust the strategy to any new circumstances.

Annex III. External Sector Assessment

Congo's external position in 2023 was weaker than the level implied by medium-term fundamentals and desirable policies, broadly in line with the findings for the entire currency union. This assessment is based on judgment since there are conflicting signals emerging from the EBA-Lite methodology, which results in a moderate undervaluation, and the Bems and de Carvalho Filho (2009) methodology that is customized for exporters of depleting natural resources, which results in a very large overvaluation, as Congo has saved too small a fraction of its transitory hydrocarbons export revenues.

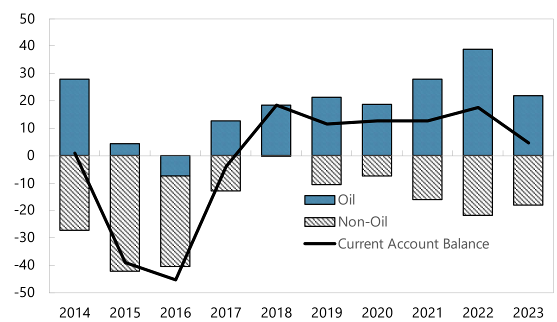
A. Background

1. High oil prices and a compression of imports have sustained Congo's current account surplus since 2018. [1]

- Looking forward, the current account surplus is expected to shrink and revert to deficit by 2028, as the effects of high oil prices and a sharp fiscal adjustment wane. There are upside risks related to Congo's newly developed exports of liquified natural gas (LNG). Data gaps may also be economically significant, with gaps in the coverage of balance of payment transactions for some sectors and regions of the country.

Figure 1. Decomposition of the Current Account, 2014–23

(Percent of GDP)



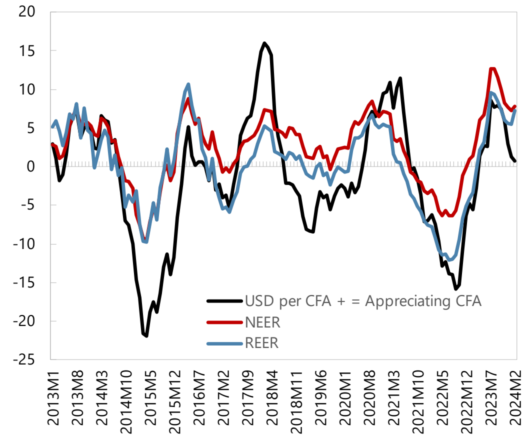
Sources: Congolese authorities; and IMF staff calculations.

- The oil-sector current account is projected to remain in surplus for the whole forecast horizon, with oil production reaching a peak of 101 million barrels in 2026. However, the recent ramp-up in production will have limited impact on the overall current account in the long term as oil fields mature. The current account reached its peak in 2022 driven by favorable oil prices but is subsequently expected to deteriorate steadily, driven by lower oil production, which is projected to decline by an average of 3.1 percent per year between 2023 and 2044 absent new discoveries.

[1] Estimates are preliminary as balance of payment estimates are reported with considerable lags and subject to relatively large revisions.

2. **The nominal effective exchange rate has steadily appreciated since 2022Q4.** As of February 2024, the nominal effective exchange rate has appreciated by 7.9 percent from its level the previous year, while the real effective exchange rate has also appreciated by 7.3 percent (y/y). Congo's nominal effective exchange rate movements reflect the movements in the exchange rate of the euro (to which the CFA franc is pegged) against global currencies.

Figure 2. Exchange Rates
(Y/Y growth)



Sources: Congolese authorities; and IMF staff calculations.

3. **Fiscal adjustment and higher oil prices have allowed for some recovery in the level of gross reserves in recent years.** Congo's gross imputed reserves at CEMAC were US$ 845 million in end-2023, up from a trough of US$ 499 million in end-2017. However, current gross reserve levels are still significantly lower than the observed peak of US$ 5.776 billion at end-2011.

B. Exchange Rate Assessment

4. **The revised EBA-lite current account approach would suggest that Congo's real effective exchange rate was undervalued by 13.1 percentage points in 2023.** The revised EBA-lite current account model, using the default levels for desirable policy settings except for the cyclically adjusted overall fiscal balance and reserve accumulation [2], shows an exchange rate undervaluation of 8.6 percentage points. The estimate is lower than the 29.7 percent undervaluation obtained in the 2021 Article IV, which was mostly driven by the adjustment of the current account to the

Text Table 1. Republic of Congo: 2023 EBA-lite CA Model Results

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**6.4**	
Cyclical contributions (from model) (-)	0.6	
Natural disasters and conflicts (-)	1.8	
Adjusted CA	**4.0**	
CA Norm (from model) 2/	**-1.3**	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	**-1.3**	
CA Gap	**5.3**	**6.1**
o/w Relative policy gap	1.3	
Elasticity	-0.4	
REER Gap (in percent)	**-13.1**	**-15.0**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Sources: IMF staff calculations.

[2] The optimal medium-term fiscal stance for the cyclically adjusted fiscal balance is set to 3 percent of GDP, to account for the need to maintain public debt on a sustainable path. Given the improvement in foreign assets positions since the 2021 Article IV, the desired change in reserves is set at 1.7 percent of GDP (in contrast to 3 percent of GDP in the 2021 Article IV), in line with the policy settings for the CEMAC. The other policy settings are for public health expenditures at 3.0 percent of GDP, the capital control index which is set at the suggested default level of 0.35, and the ratio of private sector credit to GDP set at 16.0 percent of GDP, which is consistent with a slight increase in private investment levels, which in turn implies a desirable credit growth of 1.3 percent.

effects of the pandemic in 2020. The undervaluation in 2023 is driven by a current account balance of 6.4 percent of GDP, which is adjusted downward by 0.6 percent (due to cyclical contributions) and 1.8 percent (due to natural disaster), yielding an adjusted current account balance of 4 percent of GDP. Given a current account norm of -1.3 percent, the current account gap is 5.3 percent, of which 1.3 percent is explained by policy gaps. Considering an elasticity of the current account with respect to the real effective exchange rate of -0.4, the implied undervaluation is 13.1 percentage points.

5. The revised index REER EBA-lite approach points to an undervaluation of the REER by 15.0 percent. Based on the index REER EBA-lite assessment, the norm REER is 4.72 in 2023, compared with its actual level of 4.57 (all expressed in logs), therefore implying that Congo's REER is undervalued by 15.0 percent, in contrast to an overvaluation of 4.8 percent in the assessment in 2021. The policy gaps were quantitatively minor, explaining only 1.7 percent point of the REER gap. [3]

Text Table 2. Republic of Congo: 2023 EBA-lite IREER Model Results

Ln(REER) Actual	4.57
EBA-Lite REER Norm	4.72
REER Gap	**-15.0%**
Contribution of policy gaps	-1.7%
Real Interest Rate	-0.2%
Cyclically adjusted fiscal balance	-0.3%
Kcontrol*(Changes in reserves)/GDP	-0.3%
Private credit/GDP	-0.3%
Private credit growth	-0.6%
Contribution of natural disasters and conflicts	0.3%

6. Since the EBA-lite approach does not consider the exhaustibility of natural resources, staff have also analyzed the consumption allocation rules associated with the Bems and de Carvalho Filho approach (2009). This approach measures the annuity that can be derived from natural resource wealth, and the related consumption/savings associated with it. The temporary nature of non-renewable resource revenues would call for more savings and hence a higher current account norm, especially if the natural resource production is on a declining trend as in Congo's case.

7. The consumption allocation rules imply current account norms well above what is currently projected for the medium term. We use a dynamic approach based on the following assumptions: (i) proven oil reserves (1.6 billion of barrels) plus a reasonable expectation of new discoveries; (ii) some demographic transition effect that reduces the current rate of population growth to 1.5 percent in the long run; and (iii) a broader interpretation of the return on oil wealth based not only on the rate of return on financial assets, but also on the potential impact of higher returns on investments in human capital and infrastructure that could help diversify the economy

[3] The policy gaps in the EBA-lite REER model are related to deviations between domestic and trading partners values for the cyclical fiscal position, real interest rate, change in reserves, private credit, and private credit growth.

and boost exports (staff assume a 9 percent return). [4] These assumptions are consistent with the previous external sector analysis.

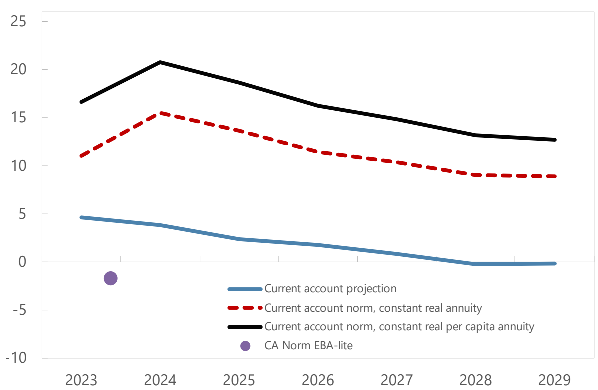
- The large current account norm translates into a larger current account gap, which is driven by the assumption that oil reserves will be exhausted in about 20 years, and the country has not accumulated enough assets so far.

- Under these assumptions, the implied current account norm converges to about 9 percent of GDP over the medium term with the constant real annuity rule, implying a current account gap of about -7 percent of GDP and a 17 percent overvaluation.

- The current fiscal surplus at 5.8 percent of GDP in 2023 is larger than the fiscal savings norm of 1.5 percent of GDP. Over the medium term, the fiscal balance projection is on average about 2.5 percent of GDP larger than the fiscal norm, as Congo's fiscal savings are larger than implied by a PIH rule. [5]

Figure 3. Current Account Norms

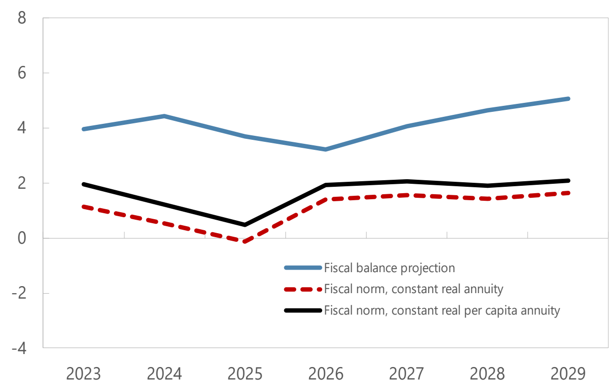
(Percent of GDP)



Sources: Congolese authorities; and IMF staff estimates.

Figure 4. Fiscal Norms

(Percent of GDP)



Sources: Congolese authorities; and IMF staff estimates.

8. **Considering the wide range of estimates between the EBA-lite and the Bems and de Carvalho Filho's approaches, an assessment of external sustainability assessment requires some judgment.** While the EBA-Lite results suggesting that Congo's real effective exchange rate was undervalued, the Bems and de Carvalho Filho's approaches, designed to consider the specificities of exporters of exhaustible natural resources, indicate that Congo is consuming more than the annuity value of its natural resource wealth.

9. **Considering the balance of risks and the uncertainty about the model external sector assessments, a conservative approach that acknowledges the risk that the external position is**

[4] A smaller, more conservative rate of return on oil wealth would yield even larger current account gaps.

[5] This result may be discounted if one takes into account the uncertainty about the level of public debt, given the prevalence of weakness in public financial management, the uncertainty about the cost of resolving domestic arrears, including social arrears.

weaker than warranted by fundamentals may be desired. Given Congo's large negative international investment position (IIP), its recurring problems in external debt management, low levels of imputed foreign reserves, high volatility of export revenues, depletion of oil reserves, and the debt sustainability assessment of debt distress, it is advisable that policymakers exert caution and consider the risks that the external position is weaker than warranted by fundamentals. The policy measures supported by the ECF arrangement such as fiscal consolidation, improvements in debt management, resolution of domestic arrears, and governance, anti-corruption, and transparency reforms are likely to improve the business environment, attract durable foreign capital flows and boost the competitiveness of non-traditional exports, with a resulting improvement in Congo's external position (SIP 4).

10. An assessment of the net international investment position (NIIP) and capital flows is hindered by gaps in the external sector statistics. The Republic of Congo's balance of payments statistics have significant shortcomings which hinder their usefulness for surveillance and external sector assessment.

References

Bems, R., and I. Carvalho, 2009, "Exchange Rate Assessments: Methodologies for Oil Exporting Countries," *IMF Working Paper* 09/281.

IMF, 2013, "The External Balance Assessment (EBA) Methodology," *IMF Working Paper* No. 13/272.

Annex IV. Key Recommendations of the 2021 Article IV Consultation

Recommendations		Status of Implementation
Diversified and sustainable growth and adaptation to	• Improve transport, irrigation, flood protection, water and sanitation, and telecommunications infrastructure. • Increase use of solar, wind, or geothermal energy for rural electrification.	**Partially implemented.** Following up on Congo's National Development Plan, investments into key infrastructures continue. Limited fiscal space and issues around the execution of allocated resources, however, signaled frequent delays in the realization of projects. Efforts to diversify Congo's energy mix started to profit from the installation of **new solar capacities** (Impfondo, 2023)**.**
Revenue mobilization, social and infrastructure spending, and domestic arrears payment.	• Integrate phase-out of tax exemptions and require electronic transfers in renegotiation of oil concessions. • Reduce non-priority current spending: transfer and subsidy reforms, rationalize wage bill. • Enhance social spending and its effectiveness with a particular focus on health and education spending. • Mobilize revenues: streamlining of VAT exemptions and reduced VAT tariffs, excise taxes in line with CEMAC guidelines, tax arrears collection, phase-out CIT exemptions.	**Partially implemented.** Fuel price reforms **helped stabilizing fuel subsidies in 2023**—despite almost doubled oil prices—at roughly 150 percent of their 2020 level, implying a substantial subsidy reduction compared to 2022. The 2022 ECF arrangement encouraged the prioritization of social expenditures, **pushing up budget allocations to health and education, but execution discipline for social expenditures remains low,** challenging the achievement of social development goals. **Progress has been made concerning** the phasing-out of various **tax and customs exemptions, the recovery of tax arrears, CEMAC compliant excise taxation, and SOEs' dividend payments,** but additional action, such as, e.g., the complete removal of exemptions granted under the resilience plan, is still needed.
Fiscal/debt vulnerabilities	• Finalize new strategy for clearance of domestic arrears. • Settle non-DSSI external bilateral and commercial arrears, except those currently under litigation. • Work with partners towards resuming budget financing and increasing concessional project financing. • Improve PIM especially given large infrastructure spending needs. • Adopt a comprehensive medium-term debt management strategy.	**Partially implemented. Almost all** end-2020 non-DSSI **external arrears were settled,** mainly through repayment of the restructured debt to oil traders, bringing down respective arrears from CFAF 730 billion to CFAF 2.3 billion as of early June 2024. Notwithstanding considerable repayment efforts, the recurrent detection of contingent social and commercial debt items led to a CFAF 442 billion **increase in domestic arrears** to CFAF 1,733 billion, while a strategy for domestic arrears resolution is in place since mid-2023. Thanks to the 2022 ECF arrangement, **budgetary support picked up again** and **concessional project financing more than doubled** since end-2020. **PIM practices have** in principle **improved**, with applicable project selection criteria—including climate considerations—being published and some progress in digitization made. A comprehensive medium-term debt management strategy has been adopted, but its operationalization is yet to be effective.

	Recommendations	Status of Implementation
Governance	• Address bottlenecks in PFM reforms: transitioning to SIGFIP; reorganization of MoF, improvement of TSA, development of PPP framework. • Publish key PFM reports: audit on oil production costs, audit report for CEC, reports of IGF and CNC. • Apply transparency in public procurement, and use of public funds and financial flows of pandemic-related resources and support. • Operationalize recent reforms, e.g., by adequate resourcing.	**Partially implemented.** The **transitioning to SIGFIP is close to completion, and** the **MoF has been restructured,** with the ongoing reorganization of the CCA completed. While the **TSA architecture is established**, transitioning to its exclusive use for fiscal transactions is still continuing. A legal and regulatory **PPP framework has been implemented** in 2022. Regular publication of reports for IGF and CNC is still pending. **Audit reports for SNPC and CORAF are published**. Additional transparency reforms and their operationalization are ongoing.
Access to finance, competitiveness	• Raise external competitiveness by removing trade barriers and improving contract enforcement, insolvency procedures, and investor protection. • Improve access to finance.	**Partially implemented.** Competitiveness, including external one, benefited from the **digitization of the public company register** and **an inventory of taxes and levies** applicable to businesses. Efforts continue to further reduce administrative costs for the private sector, including cross-border trade costs. The **provisioning of financial services to underserved groups has been supported by a broadening of the legal base**, including rules on the registration of real estate titles, registration procedures for credit and microcredit entities, and factoring and leasing.

Annex V. Sustainable Development Goals

Goal	Indicator	2023
SDG1	*No poverty*	
	Poverty headcount ratio at \$2.15 a day (in percent, PPP 2017)	37.7
	Poverty headcount ratio at \$3.65 a day (in percent, PPP 2017)	59.3
SDG2	*Zero hunger*	
	Prevalence of undernourishment (in percent of population)[1]	31.6
SDG3	*Good health and wellbeing*	
	Maternal mortality rate (per 100,000 live births)[1]	282.4
	Life expectancy at birth (years)[2]	64.7
SDG4	*Quality education*	
	Primary completion rate, total (percent of relevant age group)[3]	65.2
	Literacy rate, adult total (percent of people ages 15 and above)[4]	82.4
SDG5	*Gender equality*	
	Proportion of seats held by women in national parliaments (in percent)[4]	11.3
SDG6	*Clean water and sanitation* [1]	
	Population using at least basic drinking water services (in percent)	73.8
	Population using at least basic sanitation services (in percent)	20.5
SDG7	*Affordable and clean energy* [1]	
	Population with access to electricity (in percent)	49.5
SDG8	*Decent work and economic growth*	
	GDP per capita growth (annual in percent)[5]	1.5
	Adults with an account at a bank or other financial institution or with a mobile-money-service provider (% of population aged 15 or over)[4]	47.1
SDG9	*Industry, innovation, and infrastructure*	
	Rural population with access to all-season roads (in percent)[5]	30.6
	Population using the internet (in percent)[6]	8.7
	Mobile broadband subscriptions (per 100 population)[4]	15.8
SDG10	*Reduced inequalities*	
	Gini coefficient[5]	48.9
SDG11	*Sustainable cities and communities* [6]	
	Proportion of urban population living in slums (in percent of total)	44.2
	Satisfaction with public transport[3]	44.0
SDG12	*Responsible consumption and production*	
	CO_2 emissions from liquid fuel consumption (kt)[7]	2321.2
	Production-based nitrogen emissions (kg/capita)	6.6
SDG13	*Climate action* [4]	
	CO2 emissions from fossil fuel combustion and cement production (tCO2 per capita)	1.3
	CO2 emissions embodied in fossil fuel exports (kg/capita)	5020.4
SDG14	*Life below water* [3]	
	Ocean Health Index: Clean Waters score (worst 0 – 100 best)	51.9
SDG 15	*Life on land*	
	Permanent deforestation (% of forest area, 5-year average)[4]	0.1
	Red List Index of species survival (worst 0 – 1 best)	1.0
SDG16	*Peace, justice, and strong institutions*	
	Corruption Perception Index (worst 0–100 best)[3]	21.0
	Press Freedom Index (best 0–100 worst)	60.4
	Children involved in child labor (% of population aged 5 to 14)[8]	14.1
SDG17	*Partnerships for the goals* [1]	
	Government spending on health and education (% of GDP)	6.4

Source: Sustainable Development Goals Index and Dashboards, World Bank Development Indicators

[1]As of 2020

[2]As of 2019

[3]As of 2018

[4]As of 2021

[5]As of 2022

[6]As of 2017

[7]As of 2016

[8]As of 2015

Annex VI. Data Issues

Table 1. Republic of Congo: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	B	B	C	B	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	B	C	B		
Granularity 3/	C		B	C	B		
			C		C		
Consistency			C	C		C	
Frequency and Timeliness	C	B	B	C	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision is adequate but shortcomings remain present in external sector, national accounts, fiscal and monetary statistics due to capacity constraints. Incomplete granularity, consistency, and coverage of fiscal data imply uncertainties in the assessment of public debt levels and debt sustainability. Delays in delivery of national accounts and external sector data pose challenges to the assessment of stability in the real and external sectors. Imperfect inter-sectoral consistency implies consolidation issues. All these issues may impact the quality of policy recommendations.

Changes since the last Article IV consultation. The granularity of fiscal statistics provided to the IMF saw marginal increases in the TOFE transmitted, in particular concerning details on social spending items.

Corrective actions and capacity development priorities. Authorities see opportunties to improve the quality, regularity, and frequency of data submission. Authorities plan to follow up on IMF TA recommendations on how to address delays in the production of consumer price data and quality issues concerning fiscal, external sector, and national accounts statistics. Authorities observe issues with the adequacy of currrent capacities and would welcome additional technical assistance, but did so far not communicate any specific TA requests. The team observes no need for corrective action.

Use of data and/or estimates different from official statistics in the Article IV consultation. NA

Other data gaps. Data on income and wealth distibution could support more detailed analysis on inequality and social inclusion issues. Additional labor market statistics woud enhance opportunities for social economic and business cycle analysis.

Table 2. Republic of Congo: Data Standards Initiatives

The Republic of Congo participates in the enhanced-General Data Dissemination System (e-GDDS) since November 2003 to publish metadata and plans for statistical development but has not yet launched a National Summary Data Page (NSDP) to disseminate macroeconomic and financial data

Table 3. Republic of Congo: Table of Common Indicators Required for Surveillance

As of June 4, 2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Republic of Congo[8]	Expected Timeliness[6,7]	Republic of Congo[8]
Exchange Rates	3-Jun-24	4-Jun-24	D	D	D		NA	
International Reserve Assets and Reserve Liabilities of the Monetary Autorities[1]	Dec-23	Dec-23	M	Q	M		1M	
Reserve/Base Money	Dec-23	Feb-24	M	Q	M		2M	
Broad Money	Dec-23	Feb-24	M	Q	M		1Q	
Central Bank Balance Sheet	Dec-23	Feb-24	M	Q	M		2M	
Consolidated Balance Sheet of the Banking System	Dec-23	Feb-24	M	Q	M		1Q	
Interest Rates[2]	3-Jun-24	4-Jun-24	D	D	M		NA	
Consumer Price Index	Dec-23	Feb-24	M	M	M		2M	
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Dec-23	Feb-24	Q	Q	A		3Q	
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Dec-23	Feb-24	Q	Q	Q		1Q	
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Dec-23	Feb-24	Q	Q	Q		2Q	
External Current Account Balance	Dec-22	Feb-24	A	A	Q		1Q	
Exports and Imports of Goods and Services	Dec-22	Feb-24	Q	Q	M		12W	
GDP/GNP	Dec-21	Jan-24	A	A	Q		1Q	
Gross External Debt	Dec-22	Feb-24	Q	Q	Q		2Q	
International Investment Position	Dec-21	Jun-23	A	A	A		3Q	

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("I") irregular; and ("NA") not available.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have have a National Data Summary Page, the entries are shown as "..."

Appendix I. Letter of Intent

Brazzaville, June 19, 2024

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

Madam Managing Director:

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

2. While we continue to face high debt levels, we see progress in restoring our fiscal position, for example the 2023 spending discipline that facilitated strong fiscal consolidation despite a downward surprise in oil revenues. Repayment of domestic arrears and sustained investments in infrastructure will continue to help invigorate economic growth, while we are making every effort to ramp up our social spending to the most vulnerable. The economic recovery, however, remains fragile, with large uncertainties weighing on economic prospects and growing poverty that has been exacerbated by last year's temporary acceleration of inflation, particularly for imported input materials, food, and fuel products.

3. Against this backdrop, our country's performance under the three-year ECF arrangement has been broadly satisfactory. All performance criteria (PC) set for end-December 2023 were met. The continuous PC on non-accumulation of external arrears was subsequently missed due to delays of more than one month in payment of debt service to several creditors caused by organizational weaknesses in debt management. A strong corrective measure is taken. We completed the reorganization of the debt management office (Caisse Congolaise d'Amortissement, CCA), an objective which was missed as a structural benchmark at end-March 2024, but has subsequently been raised to a prior action (PA). In addition, we repaid the new arrears, except a small portion we remain committed to resolve, while ensuring timely debt service for the future. We have met all indicative targets for end-December 2023 except

for the floors for social spending and non-hydrocarbon revenues, as social spending execution and lower-than-expected performance of indirect taxes acted as main impediments.

4. Progress in structural reforms is continuing, for example, with the publication of high officials' conflict-of-interest declarations on the website of the High Commission for the Fight against Corruption (PA). Structural reforms nevertheless experienced delays owing to capacity constraints in some part of the administration. The full operationalization of our country's financial information system SIGFIP has been postponed, with an important milestone to be achieved by end of November 2024. Meanwhile efforts continue towards an action plan implementing reforms proposed in the 2018 governance diagnostic report, the enactment of tax laws regulating VAT on hydrocarbons also eliminating respective tax exemptions, and the scaling up of social spending, including on social cash transfer programs.

5. The attached Memorandum of Economic and Financial Policies (MEFP), which supplements the one signed on November 29, 2023, describes the recent economic and financial situation, presents the economic and financial policies that the government intends to implement during 2023–24, and defines the quantitative criteria, indicative targets, and structural benchmarks through to end-November 2024. Disbursements under the arrangement will be subject to observance of the performance criteria, structural benchmarks, and prior actions shown in Tables 1, 2, 3, and 4 of the attached MEFP.

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

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

8. Bearing in mind the program achievements to date and the commitments set out in the MEFP as well as the agreed prior actions, we are requesting (i) a waiver of non-observance for the continuous performance criteria on the non-accumulation of new external arrears; (ii) the modification of the criteria on the basic non-hydrocarbon primary balance and on the net domestic central government financing for end-June 2024, and the indicative targets for end-June 2024; and (iii) completion of the financing assurances review and the fifth review and a disbursement equivalent to SDR 32.4 million (or 20 percent of our quota). This disbursement

will enable us to respond to our immediate and protracted balance of payments needs and support our reform agenda. This will also support our efforts to achieve more resilient and sustainable economic growth and sustainably reduce poverty, while strengthening governance, transparency, and anti-corruption measures.

9. The Government believes that the policies set forth in the attached Memorandum of Economic and Financial Policies (MEFP) are adequate to achieve the objectives of its program, but it will take any further measures that may become appropriate for this purpose. The Republic of Congo will consult with the Fund on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultation. In addition, the government authorizes the IMF to publish this letter and its attachments, as well as the staff report, the debt sustainability analysis, and the selective issues papers, once the review is approved by the IMF Executive Board.

Very truly yours,

/s/

Jean-Baptiste Ondaye

Minister of Economy and Finance

Brazzaville, Republic of Congo

Attachments (2):

1. Memorandum of Economic and Financial Policies
2. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

This Memorandum describes recent economic developments, the outlook for 2024 and the medium term, the program objectives, and the policies and measures to achieve them.

I. BACKGROUND, RECENT ECONOMIC TRENDS, AND OUTLOOK

1. Economic recovery continues despite a challenging economic environment.

- Economic growth continues at an expected growth rate of 2 percent in 2023, compared to 1.8 percent in 2022, driven by the overall good performance of non-hydrocarbon activities. Contrary to expectations, production in the hydrocarbon sector fell by 0.5 percent, due to technical problems in some oil fields. In 2024, a year marked by the launch of liquefied gas exports, economic growth is expected to consolidate at 2.8 percent and should reach an average of 3.7 percent in the medium term, driven mainly by a good performance of the non-hydrocarbon sector.

- Inflation increased from 3.2 percent in December 2022 to 5.6 percent in December 2023, mainly due to rising non-food prices. Food inflation, meanwhile, has decelerated slightly. Inflationary pressures are expected to dissipate gradually, with inflation expected to decline to 4 percent on average in 2024 before converging towards the regional target of 3 percent by 2027.

- The current account surplus is estimated to have moderated to 6.4 percent of GDP in 2023, from 17.7 percent of GDP in 2022, reflecting an increase in imports and lower oil prices. This trend is expected to continue in 2024 and over the medium term before turning into a deficit starting from 2028, reflecting the moderation in oil exports and higher imports in connection with the expected higher investment in the non-oil sector.

- Foreign exchange reserves stood at 209 billion at end-December 2023, down 19 percent year-on-year, representing less than one month of imports of goods and services. Similarly, government deposits at the central bank decreased by CFAF 62 billion against a modest increase of CFAF 19 billion in 2022. The decline was mainly due to the large outflow of the central bank's foreign assets for the repayment of external debt servicing.

- The banking system remains relatively sound but faces significant vulnerabilities. These include the persistently high level of non-performing loans, despite their downward trend over the past three years, the slow pace of the restructuring of fragile banks, and the increasing exposure of the banking system to sovereign risk (¶ 10). At the same time, the banking system remains shallow and concentrated, with growth in credit to the private sector remaining modest at 5 percent in 2023, despite ample liquidity.

2. **After slipping in 2022, the non-hydrocarbon basic primary deficit was contained in 2023 to a level below the CFAF 614 billion targeted under the ECF program.** This reflects good control of primary expenditure and an increase in non-oil revenues, driven mainly by direct taxes and dividend payments. On the other hand, customs duties underperformed due to a delay in the suspension of the resilience plan measures. The improvement in the fiscal position is expected to continue in 2024 and over the medium term thanks to improved domestic revenue mobilization and continued efforts to rationalize spending (see Section II.A).

II. ECONOMIC AND FINANCIAL PROGRAM FOR 2024 AND THE MEDIUM TERM

3. **In line with our National Development Plan, we remain committed to implementing a strong and ambitious economic agenda that will lift Congo out of fragility and into resilience.** The crises observed in recent years have had an impact on incomes and exacerbated poverty. We are also facing further challenges linked to the immediate consequences of the war in Ukraine, the repercussions of the conflicts in the central African region and throughout the world, more frequent and intense climate change shocks, as evidenced by the recent floods, and reduced long-term global oil demand. Tackling these challenges and exiting fragility require a fundamental economic transformation, centered around economic diversification, good governance, and resilience to climate change. This transformation should result in the creation of more jobs and higher, more resilient, and inclusive growth.

4. **For this purpose, Congo's program under the ECF continues to be built on:** (i) strengthening the resilience of the economy to negative shocks, through increased infrastructure and social spending, in line with the National Development Plan 2022-26, while pursuing fiscal consolidation through revenue mobilization and reprioritization of spending; (ii) concessional external financing; (iii) strengthening public investment and debt management, which, combined with fiscal consolidation and the payment of domestic and external arrears, will reduce debt vulnerability; and (iv) the effective implementation of supply-side structural reforms in the area of good governance and transparency, and in the fight against corruption, to promote sustainable economic growth. The program continues to be supported by the policies of the CEMAC area and by our technical and financial partners.

A. Fiscal Policy

Fiscal policy is aimed at preserving debt sustainability while facilitating pro-poor priority spending and boosting economic diversification, resilience, and growth.

5. **Fiscal consolidation is expected to continue in 2024, in line with the ECF program targets.** The non-hydrocarbon primary deficit is projected at CFAF 718 billion (10.1 percent of non-hydrocarbon GDP). This fiscal target is expected to be achieved primarily through the following measures:

- Recent reforms to gradually liberalize fuel prices and eliminate subsidies to state-owned enterprises (SOEs). Total oil-related transfers (including to Centrale Electrique du Congo (CEC)) and subsidies for public transportation, kerosene, and butane gas will be limited to CFAF 47 billion in 2024 while those intended for Société Nationale des Pétroles du Congo (SNPC) and la Congolaise de Raffinage (CORAF) will be entirely eliminated.

- This phasing out of fuel subsidies is in line with the process of fuel price deregulation. As part of this reform, we increased gasoline prices by 24 percent in July 2023, while aligning fuel prices paid by all manufacturers with at least those charged at the pump. [1] Subsequently, we increased diesel prices by 25 percent in November 2023. We have requested technical assistance from the IMF to analyze the current price structure to improve its efficiency and, ultimately, set up an automatic price adjustment mechanism. Thus, the adjustments to the retail prices of fuel and the entry distribution price (EDP) will fully reflect international prices by the end of 2024. This reform will be accompanied by a clear communication strategy and an update of the EDP pricing formula to reflect improvements in CORAF's operational efficiency since 2016. [2] Based on past transfers made to CORAF, we undertake to explicitly establish this coefficient and compare it to contractual obligations (¶23). At the same time, we are committed to accelerating the implementation of mitigation measures (mainly by improving the urban transport service and supporting cash transfers projects) and we have stepped up communication efforts to promote acceptance of the respective reforms. Subsidies for public transportation, kerosene and butane gas will be maintained, the road network improved and targeted social assistance extended (see below for details).

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

- Further increases in social and development spending. As such, the 2024 budget will focus on improving the efficiency, quality, and coverage of social and development spending, while encouraging innovation:

    - In the education sector, we continue to focus on all levels of the school system, but we are providing free school supplies, textbooks, and school meals only to primary school. We continue to expand the number of educational facilities and the recruitment of teachers. Spending on primary and secondary education is expected to reach CFAF 162 billion (2.3 percent of non-hydrocarbon GDP) in 2024, up 12 percent from the 2023 revised budget.

    - Spending on social protection is expected at CFAF 54 billion (0.8 percent of non-hydrocarbon GDP) in 2024, compared to CFAF 76 billion allocated in the 2023 budget, aiming at

[1] We are committed to providing no new fuel subsidies to productive sectors, thereby creating price differentials with price at the pump. We will ensure that some sectors also introduce the market price, such as aviation kerosene.

[2] The performance contract between the government and CORAF initially set an economic adjustment coefficient of 25 percent in 2008, which should decline gradually. This adjustment coefficient was readjusted through two amendments, first to 15 percent and then to 10 percent at the end of 2017. In practice, during 2020 and 2023, transfers to CORAF were the result of consultations between CORAF and the ministries concerned. The amounts granted correspond to a variable implicit coefficient considering the efficiency gain of CORAF.

supporting households facing the secondary effects of the phasing out of fuel price subsidies and high food prices. This includes the National Social Safety Net Program (PNFS), with a budget allocation of CFAF 12 billion in 2024, and the cash transfers program. As a reminder, in 2023 we increased the resources allocated to cash transfer programs under the Lisungi and Telema projects (structural benchmark not met by end-July 2023). The amount of cash transfers granted to households has risen from CFAF 12.8 billion in 2022 to 17.1 billion in 2023, an increase of 33 percent. We will initiate discussions with AFD to increase the government's contribution to Telema project financing. The PNFS intends, for the period 2024-26, to pay solidarity and insertion incomes to 48,500 households (30 percent of which are headed by women) for conditional cash transfers and cash transfers for income-generating activities, social pensions to 6,500 people and supplementary social assistance to 15,000 households (60 percent of which are headed by women) in situations of emergency social distress. The anchoring of social assistance programs to the RSU has become necessary so as to improve their targeting and impact. We achieved experimental interoperability with the personal identification and civil status communication systems. In addition, the mobile payments pilot project was a success and is being expanded. We are committed to continue our efforts to implement social spending, including firmer guidance given to the relevant ministries to speed up authorization procedures. We also plan to hold quarterly meetings between the Ministry of Finance and the social line ministries to improve the monitoring of the implementation of social spending. For the first quarter of 2024, 20 percent of the allocated budget has been authorized. The Ministry of Social Affairs will commit at least CFAF 6 billion in expenditure under the PNFS, and the Treasury makes this amount available to ensure the effectiveness of cash transfers to beneficiaries (structural benchmark, end-July 2024).

  - Capital expenditure will reach CFAF 452 billion (6.4 percent of non-hydrocarbon GDP) in 2024, compared to 4.5 percent of non-hydrocarbon GDP in 2023. 47.4 percent of these investments will be financed by development partners. Priority development projects are aligned with the National Development Plan 2022–26. The priority sectors are agriculture (including agroforestry), roads, electricity, health, education, access to drinking water, sanitation, and transportation. In addition, efforts to build a solid foundation for the structural transformation of our economy will lead to continuation of the programs to promote tourism, industry, the digital economy, and special economic zones.

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

- On the revenue side, we continue our efforts to mobilizing non-hydrocarbon tax revenues, which are expected to increase by 110 billion in 2024, driven by revenues from VAT and customs duties. The new tax measures introduced, aimed at broadening the tax base and streamlining tax expenditures, include: (i) the removal in October 2023 of customs duty exemptions on basic food products under the resilience plan; (ii) the gradual introduction of excise duties in accordance with the provisions of the CEMAC; (iii) the application of the Unique Identification Number (NIU) to all commercial and financial transactions, which would allow the extension of the tax base to the informal sector; [3] and (iv) the digitalization of tax procedures, including the full implementation of E-TAX and the interconnection of the tax administration.

- In addition, the 2024 budget maintains the revenue-enhancing measures adopted over the past three years, such as: electronic payments; broadening the tax base (especially in the land sector after the conclusion of the land survey in 2022); the phasing out of corporate tax exemptions for breaches of investment agreements; the removal of ad hoc exemptions at customs; and improving the collection of tax arrears and customs duties.

  - The collection of tax arrears will be achieved through a complete inventory of these arrears and an assessment of the likelihood of their recovery with a view to enacting provisions where necessary. The committee in charge of this task has also prepared a recovery strategy. This includes, among other things, a "tax amnesty" program that has already been implemented. This program cancels part of a taxpayer's existing tax arrears in exchange for payment of the balance in 2023–24. Since mid-May 2022, the program envisages 30 percent relief on the principal amount and 80 percent relief on the penalties in exchange for payment within six months. The recovery of tax arrears is anticipated to reach CFAF 7 billion in 2024.

  - Effective procedures for monitoring tax arrears and their systematic collection have been put in place. We intend to reduce tax payment delays by leveraging the benefits of the ongoing digitization of the tax administration and of the complete payment chain and their posting in the accounts.

  - Reduced VAT and customs duty rates on imports of basic foodstuff will be maintained to help the population cope with high food inflation.

- With respect to revenues from the hydrocarbon sector:

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

  - The elimination of VAT and customs duty exemptions for SNPC (which would yield CFAF 11 billion) and the charging by CORAF of VAT on its sales (which would yield CFAF 12 billion) have come into force. In addition, SNPC paid approximately CFAF 27 billion in dividends at end-December 2023 and is expected to pay around CFAF 26 billion in 2024. The extension of regular dividend payments to other SOEs could generate additional revenues.

[3] However, to limit the tax burden to promote small business, investment, and domestic production, we have not introduced new taxes or increased existing taxes in the 2024 budget law.

- Part of oil revenues net of external debt service expected for 2024 will finance the budget, but the bulk will be used to service debt and clear arrears as well as to establish reserves in the form of deposits at BEAC.

- Finally, we will actively monitor fiscal risks, including those related to overspending, shortfalls related to tax expenditures or under-production of oil, as well as the financial position of SOEs. Should these risks materialize, contingency measures would include rationalizing non-priority spending and slowing down capital spending and the payment of domestic arrears.

6. The medium-term fiscal stance will remain anchored in gradual consolidation of the non-hydrocarbon primary balance, which should narrow by 5.5 percentage points of non-hydrocarbon GDP, which is to say 4 percentage points of GDP, between 2024 and 2029. In line with the measures implemented in 2024, this fiscal adjustment will be based on increased mobilization of tax revenues, which are expected to increase by 1.8 percentage points of non-hydrocarbon GDP between 2024 and 2029, as well as on rationalization of non-priority expenditure. Oil-related transfers are projected to gradually decrease by 0.1 percentage points of non-hydrocarbon GDP between 2024 and 2029. Hydrocarbon revenues, on the other hand, after dropping by 1 percentage point of non-hydrocarbon GDP in 2024, are expected to decline gradually over the medium term to reach 12.7 percent in 2029, given the expected ageing of oil fields. Maintaining an overall primary surplus will allow repayment of both foreign debt and domestic arrears. The public debt-to-GDP ratio is expected to gradually decline from 93.6 percent in 2024 to 61.1 percent by 2029.

7. To this end, we plan to implement the following measures:

- Improve administration of hydrocarbon-related VAT and eliminate the corresponding VAT exemptions. To this end, a comprehensive stock-taking of the administration of hydrocarbon-related VAT (including exemptions) has been finalized. The enactment or adoption of the related tax laws will be completed by end-September 2024 (end-March 2024 structural benchmark non met and proposed to be postponed to end-September 2024). The new decree has been prepared and will be adopted once its compliance has been approved by all stakeholders. Pending the adoption of the new VAT regulations on fuels, we have included in the new price structures the VAT applicable to the EDP and clarified that customs duties apply on imports. This process will also include taking stock of the VAT currently levied on petroleum products and ensuring its full payment to the government. The efficiency of administering VAT on fuels will also be improved, including through application of the standard credit-invoice method (based on revision of the relevant decrees by 2025).

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

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

- We have ensured the full functioning of the new directorate in charge of collecting service and portfolio revenue since end-December 2023. With assistance from the World Bank, we will initiate a dialogue with all participants in the customs clearance chain to ensure that the one-stop window is fully operational by end-December 2024.

- Continue to increase excise duties: on tobacco from 17.5 percent in 2022 to 22.5 percent in 2023 and 30 percent by the end of 2027; on alcoholic beverages from 12.5 percent in 2022 to 17.5 percent in 2023 and 25 percent by 2027. These duties were increased for vehicles from 12.5 percent in 2021 to 15 percent in 2023. Excise duties on luxury items remain constant at 25 percent, in line with CEMAC guidelines.

- Prioritize SOEs reforms, especially for CORAF and CEC, with a view to (i) substantially reducing the transfers and subsidies that CEC receives and removing those to CORAF (ii) increasing the transparency of SOEs operations. We will study the production costs of CORAF and CEC and an action plan will be put in to increase their efficiency (¶22 and ¶23).

- Monitor medium-term fiscal risks to take contingency measures to address potential vulnerabilities, based on the broader analysis that the government has carried out on the financial situation of decentralized government units (mainly local governments) and all SOEs— including state-owned banks (where the state is the majority shareholder).

8. The repayment of external debt maturities continues despite some operational difficulties. External debt servicing, including interest payments, will fall by 5.6 percentage points of non-hydrocarbon GDP over the period 2024–2029. Since the conclusion of the fourth review of the ECF arrangement (IMF Country Report 24/2), we have accumulated CFAF 28.5 billion of external arrears, but repaid CFAF 27.6 billion by early June 2024. We remained committed to a speedy resolution of the remaining new arrears, including those to Libya, for which the payment did not go through the payment channel due to reasons outside of our control. We have deployed efforts to improve our internal communications, to avoid a recurrence of these arrears. The task force, created in March 2023, which includes the Office of the Minister of Economy and Finance, the *Caisse Congolaise d'Amortissement (*CCA), the central bank, and the Treasury, was reshuffled with members with more decision-making power. This committee operates through monthly meetings chaired by the director of the Ministry of Finance's office. At these meetings, the CCA presents the monthly statement of debt service due and issues payment orders which are forwarded to the Treasury. The latter draws up the transfer orders, which are sent to the Central Bank, which then executes the transfers. Follow-up is carried out by the administrations involved in the expenditure flows, in particular the CCA, the Treasury and the Central Bank. The reorganization of the CCA has been completed (¶19). We have also cleared arrears to all but one commercial supplier and are engaged in the settlement of the arrears owed to the last remaining commercial creditor and continue to negotiate in good faith to obtain a restructuring. The government reiterates its determination to avoid any further accumulation of external arrears. In addition, we plan to: (i) set up a dedicated sub-account within the Treasury Single Account (TSA) at the BEAC; (ii) discuss with development partners (AfDB, AFD, and World Bank) measures to ensure that their disbursements are made on time; and (iii) ensure that expenditure is executed in accordance with the rules governing sound public financial management, with a view to putting an end to the practice of extra-budgetary public procurement (¶12). We will continue our efforts, including before the courts, to find solutions that put an end to the litigation relating to certain external debts, with the aim of removing all uncertainties concerning the level of our public debt. The convention concerning the TSA for all CEMAC countries has not yet been signed and is subject to approval by the BEAC's legal department. This approval, still pending, is essential for the implementation of the TSA in Congo.

9. Meanwhile, we continue to make good progress in repaying domestic arrears, maintaining the objective of repaying the majority by 2031. The outstanding domestic arrears are estimated at CFAF 1733 billion (26 percent of non-hydrocarbon GDP) at end-2023. We repaid about CFAF 450 billion (6.8 percent of non-hydrocarbon GDP) during the same period. We are on track to meet this year's 2024 target of repaying CFAF 204 billion of arrears. We intend to repay all our arrears on the basis of the new multi-year repayment strategy adopted in September 2023. The priorities are: (i) the payment of commercial debts for which there is an agreement, without haircut; (ii) payment of social arrears, without haircut; and (iii) the payment of domestic commercial arrears, for which haircuts will be applied based on three methods, depending on the amounts due and when payment is expected. In accordance with the decree setting the terms and conditions for repayment of domestic arrears, the government paid in March 2024 all validated commercial claims of less than CFAF 10 million. According to the decree setting the terms and conditions for repayment of domestic arrears, the second step will be to choose one of the three proposed options of haircuts by June 30, 2024, at the latest. We are making every effort to avoid the emergence of new stocks of arrears and to stabilize the stock of debt. Specifically, we are speeding up audits of arrears from previous years and have conducted a comprehensive review of social debt and contingent liabilities. With regard to domestic arrears, we have identified CFAF 211 billion in the process of being audited, including CFAF 32.5 billion related to social debt. We have also taken preventive measures. To avoid further social security contribution arrears, we commit from the 2024 budget onwards to: (i) better budget the wage bill in order to include all elements relating to social security contributions and to ensure that payments are actually made and paid into the pension funds of public employees; (ii) ensure by means of checks that the branches of government are up to date with their social security contributions; (iii) carry out an annual inventory of social debts (in particular of social security contribution arrears) following the approach used for commercial debts subject to the CCA (results of inventories for year n-1 available in year n). In addition, in order to better control domestic debt, we will ensure strict use of registered bond certificates and inform the CCA in advance of any new issuance with a view to their inclusion in the domestic debt of the current year.

10. Risks to the fiscal policy stance stem mainly from the volatility of oil prices and the availability and cost of financing in domestic and regional financial markets. The risk of negative shocks to oil prices could, however, be mitigated by servicing the debt to the two largest external trade creditors. With regard to financing on the regional market, the issuance of public debt by the government has increased significantly over the past five years. The Republic of Congo has led the region in terms of debt issuance over the past year compared to other countries in the region, with a share of more than 1/3 of total issuance in the regional market. However, certain issuance practices, such as the unpredictability of issuances, the lack of communication with investors, and the setting of coupon rates outside the market, continue to affect the Treasury's ability to mobilize resources efficiently and cost-effectively.

B. Public Investment and Debt Management

11. The government commits to improve public investment management, which is fundamental to improving the efficiency of public spending. To this end, the budgeting of public investments in keeping with the commitment authorization and the payment appropriation will be formally introduced and extended to all ministries. Thus, its full implementation will be aligned with that of the program budget, which is scheduled to begin in 2025. In order to rationalize budget allocations, projects without completed feasibility studies at end-2023 have not been included in the 2024 budget.

12. We will implement only projects that appear in the budget. For this purpose, we have developed a comprehensive template for consolidated and sectoral public procurement plans. 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 was rolled out to pilot ministries and agencies (including the Ministries of Education and Health) in the third quarter of 2022 and the completed template was mapped to the 2023 budget (for the pilot ministries) at end-2022. The budget law for 2023 explicitly provides that procurement cannot take place outside the template for the pilot ministries, except for emergency items that are approved by the Minister for Finance before the procurement is initiated. To further improve procurement practices, we plan to ensure that “the public procurement management unit” is operational in each ministry, to include the person responsible for procurement, the “permanent secretariat,” and the “procurement committee.” With support from the World Bank, Decree No. 2022/1854 of October 2, 2022, was published, amending Decree No. 2009/161 of May 20, 2009, on the organization and operation of the public procurement management unit.

13. Current project planning methods have been updated and systematized. With the support of IMF technical assistance (public investment management assessment), we have a medium-term public investment plan that will prioritize projects based on considerations such as the National Development Plan 2022-26, the need for economic diversification, international commitments—such as the SDGs, the African Union’s Agenda 2063, and CEMAC’s regional economic program—and the cost-benefit analysis. Ministry of Planning staff involved in the budget preparation process have received training in models for prioritizing public investment projects and in certain modules on the level of integration of climate change aspects in the selection of priority investment projects. Training will continue to be provided to our staff to develop their capacity to prepare and implement the medium-term investment plan.

14. We will continue to improve the effectiveness of public investment implementation, especially given large infrastructure spending needs. Here, our efforts included reviewing the World Bank-supported survey on the effectiveness of past investment projects, based on which we developed an action plan to improve the effectiveness of public investments, including by facilitating the implementation of projects at the beginning of the year. By way of illustration, we have prepared measures on (i) the general framework for public investment, (ii) the maturation of projects, and (iii) the studies fund. To date, Decree No. 2024-106 of March 25, 2024, establishing the general framework for the management of public investments integrating aspects related to climate change has been developed and published. The implementing texts of the decree, including the text on project maturity, the text setting out the modalities for managing the project study fund for public investment, as well as its operational annexes, are currently being finalized. These texts and operational documents are being prepared with the support of the World Bank through the Accelerated Program for Institutional Governance and Reforms (PAGIR) project.

15. We will maintain our efforts in terms of prudent debt management and transparency in order to strengthen debt sustainability. The government will use only concessional external loans for the duration of the program—except for the extended maturity loans from the World Bank (IBRD) and all budget support loans identified under the program—and the government will seek refinancing in regional and national markets on the previously issued securities and to cover short-term liquidity needs. Neither the central government nor entities acting on its behalf will contract any new external debt guaranteed with future natural resource deliveries—including any new oil-for-infrastructure pre-financing agreements. We also pledge to continue our budget consolidation efforts, should new debts or contingent debts materialize.

16. In this context, we prepared in July 2022 a comprehensive debt management strategy for 2023-25. Considering the constraints and requirements of debt sustainability and the commitments made under the program supported by the ECF, the government will renew the same strategy, especially as it covers the period 2023-25. This strategy, developed with the technical assistance of the IMF, has been published and is being implemented. Its objective is to (i) finance the needs of the government at the lowest possible cost while keeping borrowing risks at acceptable levels, in particular by prioritizing concessional loans denominated in euros and with a longer maturity; and (ii) contribute to the development of the national and regional market for government securities. The government favors concessional external financing (¶15). The government will also draw on loans already signed but not yet fully disbursed. On the domestic front, the government will continue its efforts to lengthen the maturities of CEMAC market instruments by increasing the share of medium- and long-term government securities in order to reduce refinancing risk. Efforts will be made to improve the predictability of issuance and to strengthen communication with investors (¶18). Domestic debt profiling operations are also envisaged to reduce potential repayment peaks and lengthen the average maturity of the portfolio.

17. To enhance the credibility of the debt management strategy and improve coordination between debt managers and budget authorities, the medium-term debt strategy plans and borrowing plans added to the budget and those implemented need to be consistent with each

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

18. To reinforce the management of relations with investors on the regional bond market, a consultation framework will be formalized and implemented with the network of Primary Dealers (SVT) of Congo in the CEMAC area. The main objective is to capitalize on this privileged relationship to diversify the investor base and aim for better coverage of issuances at a lower cost.

19. To align it with international standards, the reorganization of the CCA has been completed (prior action). The new organizational chart of the CCA was approved by the Council of Ministers (structural benchmark, end-December 2023). In addition, all laws and regulations related to the reorganization of the CCA have been adopted [4]. Sufficient staff are being hired, with calls for applications published for the upcoming appointment of directors, necessary training courses is underway, and the new manual of procedures has been adopted and is being updated (structural benchmark was missed at end-March 2024, it became a prior action). To strengthen staff capacities, we have started implementing a training program with technical assistance from the IMF, World Bank, and AfDB since March 2023. These trainings have covered the debt management reform plan and the rules and procedures of AfDB loans. These improvements will be crucial in strengthening debt management operations (including issuance of public securities), debt monitoring, transparency, management of portfolio risk, and accountability. We commit to ensure better sharing of information across the CCA, the Treasury, and the BEAC.

20. We have made significant progress in improving debt monitoring and transparency:

- We endeavor to regularly publish monthly debt statistics on government debt on the Ministry of Economy and Finance website. We have published the quarterly bulletin on debt statistics (structural benchmark, end-March 2024), including information on the stock of government debt and funding flows as well as their respective services and composition by creditor. For SOEs, a ministerial order was adopted at end-November 2021, requiring the 10 largest SOEs to provide data on their guaranteed and unguaranteed debt to the CCA in December and June of each year. A first series of information was published in the 2021 annual report on public debt in March 2022 on the website of the Ministry of Economy and Finance. With Technical Assistance from the IMF and the World Bank, we have refined this information and provided more details on the composition of SOEs debt in the 2022 annual report. To take these developments into account, an update of the Ministerial Order and the reporting template for SOEs is planned. We also commit to expanding the scope of debt statistics to an increased number of enterprises.

- We commit to (i) improve the recording of debt data and (ii) continue to publish the debt statistics bulletin on a quarterly basis, while improving its informational content. We will also publish

[4] The decree establishing the status of the CCA was approved in the Council of Ministers on May 8, 2024, and is awaiting publication. It proposes to improve the organizational and operational framework of the CCA and to complete the system for managing public debt and the deposits of various public organizations entrusted to it.

annual projections of domestic and external debt, both guaranteed and unguaranteed, of central government, SOEs, public institutions, and local authorities.

C. Safeguarding and Improving Use of Energy Resources

21. The government is determined to continue substantive energy sector reforms that are critical for improving governance, reducing the contingent liabilities of energy sector SOEs, mobilizing revenues, and rationalizing spending. The phasing out of explicit fuel subsidies in 2023-24 will support revenues through increased savings and support the green transition. An updated version of the 2005 regulatory framework, based on fuel prices, will be implemented with sufficient social assistance provisions to mitigate the impact of the increase in fuel prices on vulnerable groups. The reform of fuel subsidies has been and will continue to be accompanied by a clear communication strategy to ensure public awareness of the functioning of the price mechanism. The governance of SOEs in the energy sector will be further strengthened by the annual publication of audit reports similar to those already published by SNPC.

22. We are developing an action plan for the next phase of reforms aimed at significantly reducing transfers and subsidies to CEC. In this regard: (i) government subsidies to this company will comply with the finance law by adhering to the credit ceilings set in the macroeconomic framework. They will continue to be based on quarterly reports on CEC's expenses and revenue, including receivables from the energy sector. Implicit subsidies will be reduced through the strict application of regulations; (ii) the government has communicated the level of the 2024 budget's allocations to CEC, requiring greater management efforts from it; (iii) the government will continue to take strong measures to preserve its operational viability by reducing short-term losses and recovering production costs in the medium term (this part of the plan will be completed by the end of 2024). Efforts are being made to improve the electricity billing process and coverage to reflect actual electricity consumption.

23. In the case of CORAF, the government commits to continue to apply the effective implementation of the performance contract. In the first quarter of 2024, a review of the performance contract was conducted, which resulted, among other things, in the modification of certain targets, including a downward revision of the economic adjustment coefficient, which was set at 8 percent for 2024. Additionally, efforts aimed at reducing CORAF's operating and administrative costs are being considered, with CORAF only undertaking prudent investments. CORAF will proceed with the full payment for crude oil supplied by the government, which will be deposited in the TSA once it is operational. Throughout 2023, the crude oil provided by the state to CORAF was paid into the Treasury account, and this payment effort will continue in 2024. Furthermore, CORAF will handle the direct sale of petroleum products to distribution companies and the effective collection of revenues from these sales.

24. In addition, the ministries responsible for finance, trade, and hydrocarbons will conduct a quarterly review of the control parameters of the refined petroleum pricing mechanism, aligned with fuel price deregulation plans. We are considering clarifying the collection of VAT on petroleum products, starting with price structures. In addition, (i) no VAT exemption will be granted on fuel imports and (ii) no customs exemption (export duty and computer fee) will be granted on imports of petroleum products. We collected 6.2 billion in VAT on petroleum products with greater mobilization expected for 2024. We record in the Government Financial Operations Table (TOFE) the receipts of the petroleum product price stabilization fund. This fund is supplemented by (i) state budget allocations, (ii) surpluses between the selling price and the EDP, and (iii) revenues from the “contribution to the stabilization” line of price structures. It is debited on the joint order of the Ministers in charge of finance and hydrocarbons. As of December 31, 2023, the balance of this account is CFAF 1.2 billion.

25. The government will take additional actions to improve the transparency and revenues of the hydrocarbon sector. We have commissioned an internationally recognized audit company to produce reports reconciling the oil flows that should accrue to the government. Specifically, the reconciliation concerns the amount of oil that the government should receive based on production sharing agreements, and the value of the oil revenues recorded in the budget. The oil flow reconciliation report is expected to be published before end-September 2024 and made publicly available on the website of the Ministry of Economy and Finance. In addition, the government will continue to publish a table listing all holders of natural resource concessions (including mining, forestry, and oil concessions). We will continue to undertake audits (conducted by internationally recognized audit companies) of the petroleum costs declared by the petroleum companies in production-sharing agreements. With the support of the World Bank, we have adopted an implementing text on the monitoring, control, and verification modalities of upstream activities in the hydrocarbon sector, which improves the effectiveness of controls over oil and gas works. The audit campaigns, which will now comply with the new decree, are going to continue to carry on all existing oil permits. If necessary, we may also request IMF technical assistance on best practices in natural resource management.

26. We will also strengthen our institutional framework and our statistical apparatus to consider the emergence of new subsectors in the field of energy. Congo has considerable gas potential that is attracting significant investment; gas exports began in February 2024. We are developing the regulatory framework for gas operations. The gas code, which is due to be published before end-December 2024, has already given rise in October 2023 to (i) a roundtable discussion with all players in the sector to gather suggestions, (ii) considering relevant suggestions in the existing draft following the roundtable, (iii) transmission to the General Secretariat of the government for reading. During February 2024, additional comments were exchanged with World Bank experts. In the coming months, this draft code will be submitted to the Council of Ministers prior to its transmission to Parliament for analysis and adoption. Our goal is to make the framework as balanced as possible, conserving the limited resources of our country while allowing the sector's new projects to secure a return on investment and contributing to environmental sustainability. The national statistics teams are working to incorporate this new sector into our national accounts (¶36). We could ask for technical assistance to improve local statistical capacity to monitor gas sector data.

D. Reforms of Public Financial Management and Governance

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

- Organic Law 32/2023 of October 25, 2023, setting out the responsibilities, organization, composition, and functioning of the Court of Auditors and Budgetary Discipline (CABD) as well as the procedure to be followed have been published in the Official Journal; the implementing legislation is currently being prepared.

- We are continuing to implement the new medium-term strategy for public financial management (PFM) reforms, which was developed with IMF technical assistance. We will focus in the short term on synchronizing progress across all the ministries concerned. The full three-year action plan—which includes a roadmap for future reforms, including a comprehensive timetable of actions and reforms—will be updated every 18 months.

- We have developed a legal and regulatory framework for public–private partnerships (PPPs) —implemented since December 30, 2022—that is consistent with international best practices. The implementing texts are being developed.

- 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 procurement plan, consistent with the overall template prepared with the assistance of the World Bank, for the seven pilot ministries. This committee, which includes representatives of the Ministry of Economy and Finance and the Ministry of Budget, Public Accounts and Public Portfolio, meets on a weekly basis to update the Treasury's cash-flow plans, and monthly for all other matters. We will also ensure that the commitment plan and the cash-flow plan are consistent and that, under the supervision of the Directorate-General of Budget, all ministries provide their procurement and commitment plans, thus improving the reliability of the cash-flow plan.

- We will be implementing the new organizational charts of the Ministry of Economy and Finance and of the Ministry of Budget, Public Accounts and Public Portfolio.

- We are committed to improving the TSA structure at the central bank. For this purpose, (i) we have prepared a comprehensive list of all commercial bank accounts of central government and public bodies by end-2022 with a view to their closure (in accordance with an action plan, to be finalized later this year by a steering committee responsible for the implementation of the TSA) after the gradual transfer of the associated deposits to the BEAC; and (ii) we will ensure the automatic transfer to the TSA of revenues from the sale of oil exports and public entities' resources—after the finalization of the related agreement between the BEAC and the Treasury (in the course of 2024, after validation of the draft agreement by the BEAC's legal department, with implementation of the central bank's new TSA management software "AMS/X" being deferred until early 2025). These actions, which are part of the PFM strategy, are expected to lead to an improvement in the Treasury staff's ability to manage the funds of compulsory depositors and to facilitate the proper execution of payments. We will also ensure that: (i) if there are free resources in the government's escrow account in China, they will not be used for any purpose other than to be regularly repatriated to the TSA; and (ii) all government revenue collected under the retail fuel price formula will be deposited in a transparent and auditable budget account within the TSA.

- To ensure better monitoring of receipts, we will ensure the full interconnection of the information management systems used by the Customs offices (ASYCUDA), tax authorities (E-Tax), and the 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 finalized. The general platform will be operational by end-June 2024.

- We are committed to preparing the transition toward accrual accounting by end-2024. We set up a committee in charge of establishing the opening balance sheet and defining the main stages of implementation of accrual accounting. This committee met for the first time in October 2023 and will continue its preparatory work throughout 2024.

- The recent evaluation of management of public climate investments (C-PIMA), carried out by the IMF, revealed weaknesses in the management of public investments, in particular as regards project implementation. The main problems are the lack of clear criteria for the selection of projects and the absence of systematic accounting arrangements for project implementation procedures; the predominance of limited tendering; frequent liquidity rationing; and ineffective project monitoring. To begin meeting these challenges, we developed and published a list of selection criteria (in line with the C-PIMA recommendations), including a climate dimension (structural benchmark, end-September 2023). Additionally, we have formalized a standard methodology for the prior assessment of projects, also taking into account climate-related aspects, including risk analysis (structural benchmark, end-December 2023), and we are also committed to implementing it.

28. **The government is in the process of switching to an improved version of the Public Financial Management Information System (SIGFIP) allowing inclusion of structural reforms such as the program budget and accrual accounting.** The SIGFIP modules for preparation, budget execution, and accounting became operational at the end of 2021, but some shortcomings are still being addressed, including the system's capacity to take into account commitment authorizations on the one hand and payment appropriations on the other. The delays observed in the implementation of SIGFIP are mainly due to operational capacity issues and technical difficulties that are currently being resolved. Given these challenges, it is proposed to refocus and extend the deadline of the end-June 2024 structural benchmark aimed at fully operationalizing the cash management, financial reporting, treasury, and procurement modules of SIGFIP. The new structural benchmark will focus on finalizing SIGFIP functionalities related to accrual accounting and program budgeting by end-November 2024. For the program budget, this involves distinguishing between commitment and payment authorizations, implementing multi-year budgeting, and preparing the Annual Performance Report (RAP) and Annual Performance Project (PAP). For accrual accounting, this involves managing inventory operations. Similarly, the module on the government's cash management will be

operationalized. The authorities will also continue their efforts to computerize the commitment plan and the public procurement plan as soon as possible. The operationalization of the SIGFIP, combined with its interconnection with other information management systems (such as the systems used by the customs and tax administrations) will enable comprehensive monitoring of (oil and non-oil) public revenue collection and of implementation of public spending (the full expenditure chain, from commitment to payment). To assist with the implementation of the new system, the IMF has provided in February 2021 technical assistance that made it possible to draw up an action plan related to SIGFIP implementation. The government undertakes to update, periodically, this action plan for the SIGFIP. In September 2023, another IMF mission took stock of the implementation of this action plan and assisted the authorities in computerizing the development and implementation of the commitment plan, which should serve as a tool for steering budget execution and for predictability in the implementation of public expenditure. In 2024, two additional technical assistance missions from the IMF have allowed, on the one hand, to contribute to the development of specifications aimed at implementing a cash management module, and on the other hand, to assess the governance of SIGFIP and its capacity to incorporate reforms related to program budgeting and accrual accounting. To ensure proper implementation of the SIGFIP, the government is providing adequate infrastructure (electricity, internet), setting up processes for regular communications between the departments concerned, offering training tailored to the different user groups, and carrying out testing of the new SIGFIP.

E. Governance and Combating Corruption

29. We recognize that in order to achieve sustainable and inclusive growth of our economy, it is essential for us to continue to improve governance and transparency while combating corruption. The government has already taken steps to rectify governance weaknesses and vulnerabilities to corruption, including the publication of a comprehensive diagnostic report on governance and corruption in 2018, strengthening of our anti-corruption legal architecture, and steps to improve governance in the oil sector. Progress has been made in improving access to information, and transparency and effective law enforcement will help address vulnerabilities to corruption, a prerequisite for improving the business climate. For example, we have published several annual reports from the Extractive Industries Transparency Initiative (EITI), and we are committed to publishing the 2022 report by end 2024 and the 2023 report by end 2025.

30. We aim to improve our management of natural resources and respect for property and contractual rights as well as transparency in the sector. This will be achieved by committing to the operationalization of public license registries in the mining and forestry sectors. We will finalize the operationalization and integration of the information systems already in place for the mining sector and will place the integrated system in the public domain by end-November 2024. We deployed the system operationalizing the current pilot register of licenses for the forest industry to all parties concerned at end-January 2024 and will grant public access to the system by July 2024 (even if the information required for a full register in accordance with the requirements of the EITI will not be fully included by then) and will subsequently intensify efforts to address all remaining gaps in the data.

31. With the aim of improving governance, we have carried out a comprehensive assessment of the implementation of the measures taken in the 2018 diagnostic report on governance. We identified, with the support of the IMF, the areas for improvement, including those related to the rule of law and transparency, with a view to developing an action plan for 2024 (structural benchmark, end-June 2024). We will also develop an action plan for strengthening AML/CFT, which will build upon the recommendations from Congo's recently published AML/CFT Mutual Evaluation Report.

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

33. Convinced of the importance of increasing transparency in public life, we operationalized the system for managing conflicts of interest and publishing declarations. Law 9/2022 of March 11, 2022, on preventing and combating corruption has put in place a legislative framework for combating corruption, integrating all internationally recognized principles and good practices, in particular with regard to the prevention and management of conflicts of interest. As declaration of assets is an integral part of the resolution of conflicts of interest, senior officials are already covered by this system. [5] We will assess the implementation of the existing system through the missions entrusted to the HALC, following a series of awareness-raising campaigns. The operationalization of the conflict-of-interest management system will be gradual and has already begun through (i) the submission of declarations of conflicts of interest, starting at least with senior officials, and their publication by the HALC in accordance with the provisions of Decree No. 2022/467 (end-April 2024 structural benchmark not met, became a prior action).

34. Progress on transparency and accountability

[5] A senior official is a public official who holds a legislative, executive, administrative, or judicial mandate on a permanent or temporary basis, paid or unpaid, including any politically exposed national or any person holding public office on behalf of a public body or a public company, or who provides a public service (see Article 2 of Law 9/2022 of March 11, 2022 on preventing and combating corruption and related offences).

- We have established by law the commission charged with implementing 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 is endowed with the necessary resources to perform its duties, primarily to make publicly available the information required under the law. We will also ensure that all parts of our administration cooperate fully with the commission, and that the transparency law is fully implemented. All information that is required to be made public under the transparency law will be published on the government website by end-June 2024.

- We have published on the website of the Ministry of Economy and Finance: all the final reports of the General Inspectorate of Finance (IGF) for the period 2011-2020; all the 2020 final reports of the National Accounts Commission (CCN); a list of public enterprises and institutions that have not granted adequate access to carry out the audits as well as those that are late in fulfilling their financial obligations to the CCN; and a list of public enterprises and entities that do not fall under the jurisdiction of the CCN.

- All the reports finalized by the Court of Auditors will be published by end-December 2024 on the government website within 30 days of being finalized (courdescomptes.cg).

35. The government supports the wide dissemination of information on judicial proceedings and the functioning of law enforcement institutions, as a step toward better resource allocation and as agreed in the 2018 diagnostic report. To this end, we are publishing on the official website: (i) for each court (*magistrate*): the number of sitting judges, active staff and vacancies; and for each public prosecutor's office, the number of prosecutors and staff as well as the number of vacancies; (ii) the number of cases related to corruption, AML/CFT, insolvency, foreclosures, and real estate for 2015-20; and (iii) all Supreme Court decisions.

F. Broader Structural Reforms

36. Improving economic diversification and adaptation to climate change will be key to achieving growth that is stronger, more inclusive, more resilient, and job-creating. For this purpose, the National Development Plan 2022–26 identifies the priority sectors for development—including agriculture, manufacturing, tourism, digitalization, and real estate development. Our strategy is aligned with the Sustainable Development Goals (SDGs), the goals of Agenda 2063 for the development of Africa, and the recommendations of the CEMAC economic and financial reforms program (PREF-CEMAC) in relation to the structural transformation of the national economies within CEMAC. To support our diversification efforts, we plan to strengthen and expand the basic infrastructure and improve the business environment. Key actions aim at:

- Improving and expanding infrastructure for transportation, irrigation, water and sanitation, and telecommunications—in order to boost productivity and job creation in a sustainable manner in the areas with a strategic advantage (agriculture, food processing, forestry, wood products, ICT), as well as in manufacturing and services (tourism, finance, services). It will also help build the resilience of small businesses and farmers in the face of climate change.

- Improving access to energy at an affordable cost, through the development of new energy sources (especially for rural electrification), such as solar and wind power.

- Improving the business environment and external competitiveness by removing trade barriers and improving contract enforcement, insolvency procedures, and investor protection. For example, we have (i) computerized and published the company register; and (ii) published a comprehensive inventory of the fiscal and parafiscal charges applied to formal and informal enterprises. The government has simplified procedures and reduced the costs of creating businesses through the digitization of formalities, centralization of formalities at the one-stop-shop for businesses, the elimination of bonding requirements for executives from outside the CEMAC zone, and the provision of private deeds for the establishment of partnerships without the obligation to go through a notary. For example, the cost of formalities for creating a sole proprietorship has decreased from CFAF 150,000 to CFAF 100,000, and the creation of an LLC has decreased from CFAF 3 million to CFAF 300,000 (www.acpce.cg). The government will: (i) establish a national real estate registry; and (ii) reform administrative costs to facilitate cross-border trade. We also commit to not apply import restrictions for balance of payments purposes, in line with the standard practice in all IMF policies.

37. We will also strengthen financial sector resilience and broaden access to finance, which will foster macroeconomic stability, economic diversification, and the building of resilience. With the aim of promoting access to a range of customized, diversified, and affordable financial products and services for vulnerable populations or those excluded from traditional financial services, a regional financial inclusion strategy (RFIS) has been put in place in the CEMAC covering the period 2022-27. To this end, a memorandum of understanding was signed in July 2022 between the government and the UNDP to provide Congo with a national financial inclusion strategy (NFIS). In this context, two experts were recruited in June 2023. Moreover, the government has adopted two laws on factoring and leasing, respectively, with a view to increasing access to finance for SMEs. Other regulatory measures have been implemented in order to significantly improve the legal framework for business. These include: (i) Order No. 507/MFBPP/CAB setting out the modalities and procedures for the registration of approved credit, microfinance, and payment institutions operating in Congo, (ii) the decree establishing the national register of movable securities, as well as iii) the decree establishing financial mediation in the Republic of Congo. The decree establishing the modalities and conditions for the registration of real estate titles is, meanwhile, being developed. The government will also continue to strengthen the capacity of the legal and judicial systems to deal with financial disputes, aiming to alleviate financial sector-related disputes from clogging the courts. Financial stability will benefit from the reduction in nonperforming loans as the clearance of domestic arrears progresses. We will also continue to closely monitor the solvency and liquidity indicators of the banking system and speed up restructuring plans for two fragile banks.

G. Strengthening Statistical Capacities

38. The government continues to prioritize the improvement of public statistical databases. The ministry responsible for statistics is implementing a plan, as part of the National Statistics Development Strategy 2022–26, 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 the annual national account statistics, with the assistance of the IMF. We have published the balances of payments for 2019 to 2022, as well as the 2021 provisional national accounts. For 2021, we are in the process of finalizing the estimates after collection of all the data, particularly those from the oil companies. The INS teams are also working on the inclusion of the gas sector in the national statistics. This inclusion will take effect once the new base year of the 2008 SNA-compliant national accounts is renovated. The Consumer Price Index has been re-based and the INS is working, with the support of the partners, on a permanent mechanism for the production of quarterly national accounts, while awaiting migration to SNA 2008 by the year 2025. Regarding demography, we have finalized the Fifth General Census of Population and Housing (RGPH-5), the preliminary results of which were made public in December 2023. We will also validate and publish the report of the Harmonized Household Living Standard Survey (EHCVM) which, like the RGPH-5, has received financial support from the World Bank. In addition, preparations for the third Demographic and Health Survey (DHS-III) are underway for field data collection in the second half of 2024.

39. The government undertakes to continue its efforts to publish basic economic indicators. Data on monthly inflation rates can be accessed through the websites of the Ministry of Economy and Finance and of the National Institute of Statistics. Some foreign trade statistics are published on the website of the National Institute of Statistics. Quarterly statistics on VAT exemptions, debt service, and outstanding debt will be published regularly from June 2024 on the website of the Ministry of Economy and Finance within 90 days of the reference date of the respective statistics.

H. Funding of the Program

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

I. Program Monitoring

41. The program is subject to semi-annual monitoring by the IMF's Executive Board based on quantitative criteria and indicators, structural benchmarks, and prior actions as indicated in Tables 1, 2, 3, and 4 attached. These criteria and indicators are described in the attached Technical Memorandum of Understanding (TMU), which sets out quantitative performance criteria and reporting requirements under the ECF arrangement. The sixth and final semi-annual review will be based on data and performance criteria at end-June 2024, and is expected to take place on or after October 15, 2024.

42. Given the overall satisfactory performance of our program, we are requesting modification of some of the performance criteria. More specifically, we request the modification of the quantitative performance criteria relating to basic non-hydrocarbon primary balance and the government's net domestic financing as well as the indicative targets for end-June 2024.

43. We will strengthen the internal monitoring mechanisms to guarantee robust program implementation. A monitoring committee for the program has been set up and a statutory text is being prepared for its formalization. After resolving the difficulties encountered, we relaunched, starting from end-June 2024, the publication on the website of the Ministry of Economy and Finance of tables containing information on program monitoring and implementation, prepared in consultation with the IMF staff. These include quarterly budget execution results and forecasts, monthly inflation rates, and the quarterly public debt stock and debt service.

Table 1. Republic of Congo: Quantitative Performance Criteria and Indicative Targets, 2023-24

(In billions of CFA francs; cumulative since the beginning of the year, unless otherwise indicated) [1]

	Type of Criteria	End-June 2023				End-Sept 2023				End-Dec 2023				End-Mar 2024				End-June 2024	
		PC Program	PC Modified Program	Actual	Status	IT Program	IT Modified Program	Actual	Status	PC Program	PC Modified Program	Actual	Status	IT Program	IT Modified Program	Actual[10]	Status	PC Program	PC Modified Program
Floor on basic non-hydrocarbon primary budget balance (excluding oil-related transfers)[2]	PC	-303	-244	-233	Not Met	-444	-369	-336	Not Met	-459	-459	-369	Met	-132	-147	-		-290	-304
Adjusted target (floor)			-172				-308				-433								
Upward adjustment for higher than expected oil-related transfers			0				2				0								
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower hydrocarbon revenue			72				59				26								
Ceiling on net domestic financing of the central government	PC	-47	166	127	Met	-121	122	86	Met	-67	153	158	Met	-33	-10	-		6	60
Adjusted target (ceiling)			340				181				179								
Downward (Upward) adjustment for higher (lower) than expected net external assistance and hydrocarbon revenue			174				59				26								
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3]	PC	0	0	0	Met	0	0	13	Not Met	0	0	0	Met	0	0	28.5	Not Met	0	0
Ceiling on contracting or guaranteeing of new non-concessional external debt by the central government (US$ million)[3,4,5,7]	PC	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries[3,6]	PC	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0
Floor on non-hydrocarbon revenues	IT	405	415	444	Met	632	638	660	Met	868	880	875	Not Met	224	232	-		472	462
Floor for social and poverty-reducing spending	IT	181	181	98	Not Met	322	322	166	Not Met	402	308	232	Not Met	85	82	-		165	165
Ceiling on disbursements of external loans for investment projects	IT	123	121	108	Met	176	168	50	Met	164	165	62	Met	62	58	-		105	109
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion) [4,7]	IT	86	87	82	Met	100	102	82	Met	143	216	135	Met	174	216	-		216	216
Floor on repayment of domestic arrears accumulated by the central government	IT	40	53	102	Met	90	81	129	Met	110	379	450	Met	21	20	-		41	68
Memo items:																			
Hydrocarbon revenue[8]		584	553	655		965	873	811		1195	1205	1201		321	347			681	522
Expected external assistance, net[9]		-239	-219	-363		-364	-327	-383		-484	-401	-449		-91	-108			-195	-206
- BoP assistance (IMF-ECF)		83	79	52		83	79	79		105	105	106		0	0			26	26
- Budgetary loans and grants (excl. IMF)		88	79	39		127	121	71		194	196	149		38	6			33	32
Payments for current external debt amortization due after debt relief		328	298	402		491	448	454		678	597	599		129	114			228	238

[1] Quantitative Performance Criteria and Indicative Targets are defined in the TMU. For the last quarter of 2023 and first quarter of 2024, "Program" columns reported represent the PCs and ITs set at the time of the third review of the ECF arrangement while "Modified Program" columns repersent the modifications approved at the time of the fourth review. For end-June 2024, "Program" columns represent the PCs and ITs set at the time of the fourth review while "Modified Program" columns represent the modifications to these PCs and ITs proposed during the fifth review of the ECF arrangement.

[2] Defined as non-hydrocarbon 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. Since 2024 the hydrocarbon sector includes the oil and gas sectors, before 2024 the gas sector was in a state of infancy and hence negligible.

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

[10] Reported new external arrears were accumulated through June 2024.

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

Measures	Target date	Status	Macroeconomic Rationale
Increase the resources available to cash transfer programs (Lisungi and Telema Projects) by 15 percent compared to the amounts allocated in 2022, making it possible to increase coverage and payment for beneficiary households.	End-July 2023	Not met[1]	Reduce fragility, maintain social stability, reduce inequalities, and promote social inclusion.
Formalize a standard methodology for the preliminary assessment of projects, considering climate aspects, including risk analysis.	End-December 2023	Met	Improve public investment management.
Approval of the new CCA organigram by the Council of Ministers and subsequent submission to parliament.	End-December 2023	Met	Improve transparency and manage debt-related risks.
Enactment of hydrocarbon-related VAT tax laws, eliminating VAT exemptions in the process.[2]	End-March 2024	Not met	Improve tax administration and support domestic revenue mobilization efforts.
Publish first quarterly debt bulletin with detailed central government and state-owned enterprise stock and flow information.	End-March 2024	Met	Improve transparency and manage debt-related risks.
Complete reorganization of CCA meeting: 1) all laws and regulations needed for reorganization enacted, 2) sufficient staff recruited, 3) necessary staff training completed, 4) procedures' manual adopted.	End-March 2024	Not met (elevated to prior action) [3]	Improve transparency and manage debt-related risks.
Require submission of conflict-of-interest declarations for high-level officials at least, and publication of the declarations by the High Authority for the Fight against Corruption.	End-April 2024	Not met (elevated to prior action) [4]	Reduce corruption, improve governance, and protect public resources.
Develop the 2024 action plan for implementing remaining recommendations from the 2018 governance diagnostic report.	End-June 2024		Reduce corruption, improve governance.
Fully operationalize the modules for cash management, fiscal reporting, treasury, and procurement of the new Expenditure Tracking Software (SIGFIP).	End-June 2024		Improve transparency and governance and protect public resources.

[1] The authorities transferred an allocation of CFAF 4.5bn in 2023 to the cash transfers program's management unit.

[2] This SB could not be achieved because the authorities decided it would be better to revamp the 2005 decree governing the price structure to simplify it and align it with current practices. The draft decree has been finalized and is awaiting approval by the Council of Ministers. As a result, the SB is now proposed to be scheduled for completion in September 2024.

[3] All laws and regulations as well as the procedures' manual were adopted on time. Staff recruitment and training are underway.

[4] Conflict of interest declaration campaign closed on time, but publication was delayed.

Table 3. Republic of Congo: New Structural Benchmarks 2024			
Measures	**Target date**	**Status**	**Macroeconomic Rationale**
The ministry of social affairs commits to spending at least CFAF 6 billion on behalf of the programme national de filets sociaux (PNFS) and the Treasury makes this amount available to enable effective transfers to the beneficiaries.	End-July 2024		Reduce fragility, maintain social stability, reduce inequalities, and promote social inclusion.
Enactment of hydrocarbon-related VAT tax laws, eliminating VAT exemptions in the process.	End-September 2024		Improve tax administration and support domestic revenue mobilization efforts.
Finalize the modules for accrual accounting and program budgeting of the Expenditure Tracking Software (SIGFIP).	End-November 2024		Improve transparency and governance and protect public resources.

Table 4. Republic of Congo: Proposed Prior Actions		
Measures	**Status**	**Macroeconomic Rationale**
Complete reorganization of CCA meeting: 1) all laws and regulations needed for reorganization enacted, 2) sufficient staff recruited and directors nominated, 3) necessary staff training completed, 4) procedures' manual adopted.		Improve transparency and manage debt-related risks.
Require submission of conflict-of-interest declarations for high-level officials at least, and publication of the declarations by the High Authority for the Fight against Corruption. [1]	Met	Reduce corruption, improve governance, and protect public resources.

[1] The declarations can be accessed at Haute Autorité de Lutte Contre la Corruption - République du Congo (halc.cg).

Attachment II. Technical Memorandum of Understanding

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.**

The performance criteria (PC) include:

- A floor on the basic non-hydrocarbon 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.

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-hydrocarbon revenue.
- A floor on repayment of domestic arrears accumulated by the central government.

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

6. Performance criteria (PC), indicative targets (IT), and adjusters are calculated as (i) during 2022, the cumulative change from January 1, 2022 for the 2022 criteria and targets except those in ¶5A(c), 5A(d), 5A(e) and ¶5B(c) which will be from approval of the ECF arrangement (Table 1 of the MEFP); and (ii) for 2023 and 2024, the cumulative change from January 1, 2023 and January 1, 2024, respectively.

A. Performance Criteria

7. The basic non-hydrocarbon primary balance, excluding oil-related transfers, is calculated as the difference between government revenue, excluding hydrocarbon 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.

9. 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.

10. 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.

11. 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

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

equal to the nominal value of the debt. For the purposes of the program, all sources of loans contracted from the World Bank (both IDA and IBRD) that have a grant element that is less than 35 percent will not be included in the calculations of the ceiling on contracting new non-concessional external debt. For program monitoring purposes, external debt is considered to be contracted or guaranteed when all of the conditions for it to enter into effect have been met, including approval of the arrangement by the government of the Republic of Congo (the Council of Ministers) or the legislative authorities, if required. Guaranteed debt refers to any explicit legal obligation incumbent on the government to reimburse that debt should the debtor default (whether the payments are in cash or in kind).

12. 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

13. 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.

14. 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.

15. 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.

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

17. 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

18. Hydrocarbon revenue is defined as the government's net proceeds from the sale of hydrocarbons, including the provision for diversified investments, royalties paid by hydrocarbon companies, and the government's share in produced hydrocarbons. 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.

19. 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

20. 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.

21. 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.

22. 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

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

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

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

- *When total net external assistance exceeds program projections,* the floor for the basic non-hydrocarbon 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 2022-2024 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-hydrocarbon 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 exceeds projections—in this case the floor for the basic non-hydrocarbon primary balance will remain unchanged and the ceiling for net domestic financing to the government will be adjusted downward by the full amount of the excess World Bank budget financing.

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

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

- *When total net external assistance is below program projections,* the floor for the basic non-hydrocarbon 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 is below projections—in this case the floor for the basic non-hydrocarbon primary balance will remain unchanged and the 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 hydrocarbon revenues are below program projections,* the floor for the basic non-hydrocarbon 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

26. 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.

27. 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.

28. 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's Social Spending 2022–2024

(Billions of CFAF)

ITEM	2022			2023			2024		
							Q1		
	Budgeted	Actual	Execution rate (percent)	Budgeted	Actual	Execution rate (percent)	Actual	Execution rate (percent)	2024 Budget
Basic health and fight against disease	**174.3**	**110.3**	**63.3**	**196.6**	**74.8**	**38.0**	**20.1**	**11.2**	**179.6**
Acquisition and management program of essential and generic drugs, biological and reagent check-up	6.2	4.9	79.0	7.4	12.1	162.7	0.6	7.8	7.3
Program of free AIDS drugs, biological and reagent check-up	18.0	1.8	9.8	17.1	0.8	4.8	0.8	5.3	15.4
AIDS education and outreach campaign	0.5	0.7	134.7	0.5	0.3	60.6	0.1	13.7	0.4
Malaria and other diseases control program	15.1	5.5	36.2	16.5	5.4	32.8	0.7	4.3	17.1
Extended vaccination program	12.9	4.8	37.6	12.8	1.1	8.8	0.6	4.3	12.9
Response to epidemics	17.6	15.2	86.4	14.7	0.8	5.7	0.7	8.1	8.4
Free caesarean section program	2.4	1.1	45.6	2.5	0.4	14.3	0.1	5.0	2.3
Tuberculosis control program	0.5	1.4	288.3	0.5	0.7	145.1	0.2	44.1	0.4
Program for the control of non-contagious diseases, including trypanosomiasis and onchocerciasis	0.7	0.3	45.6	0.7	0.5	70.1	0.1	15.7	0.7
Revitalization of health districts through the purchase of medical-technical equipment and functioning of hospitals and health centers	73.0	54.8	75.0	99.2	48.1	48.5	15.9	17.8	89.3
Construction and rehabilitation of general and basic hospitals as well as health centers in towns and rural centers	23.2	14.0	60.5	19.3	0.0	0.0	0.3	1.5	19.9
Women's and teenager health	4.2	5.8	139.5	5.6	4.6	81.7	0.1	1.8	5.3
Basic education	**102.6**	**55.9**	**54.5**	**144.4**	**87.8**	**60.9**	**24.2**	**14.9**	**161.9**
Construction and rehabilitation of school buildings	6.5	1.7	25.6	10.5	1.2	11.5	0.0	0.0	13.8
Program of free school supplies, textbooks and tuition fees as well as teaching materials in primary, secondary general, technical and	24.3	15.6	64.3	26.5	16.5	62.1	3.8	14.4	26.3
School canteen program	5.1	3.9	76.2	7.1	4.5	63.2	0.0	0.0	6.3
Strengthening the capacities of the education and research system	27.0	29.4	108.6	62.8	63.0	100.2	13.9	17.5	79.5
Scholarships, school and university aid	30.5	4.4	14.4	31.5	2.7	8.6	6.5	24.2	26.8
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	1.0	10.9	5.9	0.0	0.0	0.0	0.0	9.2
Infrastructures for improved access	**52.2**	**30.6**	**58.7**	**58.2**	**8.6**	**14.8**	**0.0**	**0.0**	**100.2**
Construction and rehabilitation of rural and agricultural roads through the Commercial Agriculture Development Program (PDAC)	5.3	9.8	185.2	6.6	0.0	0.0	0.0	0.0	10.0
River maintenance, dredging and tagging	2.7	3.1	116.6	4.9	0.5	10.3	0.0	0.0	6.8
Community projects and revitalization of the village fabric	0.7	0.0	0.0	0.0	0.0	-	0.0	-	0.0
Construction and repair of access infrastructure (roads, bridges, etc.)	43.5	17.7	40.7	46.7	8.1	17.3	0.0	0.0	83.4
Electricity, water and sanitation	**69.8**	**59.6**	**85.3**	**55.9**	**27.4**	**49.0**	**1.9**	**3.6**	**51.9**
"Water for all" program to continue the drinking water supply operation in urban and rural centers	10.7	7.4	68.8	10.0	2.2	21.6	0.3	4.8	6.5
Construction of electrical works for population access to energy	16.7	4.3	26.0	17.6	7.0	40.1	0.3	1.6	21.1
Sanitation of towns and, as a consequence, the cleaning of gutters and the destruction of breeding sites	42.4	47.9	112.9	28.4	18.2	64.1	1.2	5.1	24.3
Social protection and employment	**58.9**	**21.9**	**37.2**	**76.4**	**28.1**	**36.9**	**6.4**	**12.0**	**53.6**
Charitable actions and social assistance	0.7	0.3	43.7	0.7	0.4	54.7	0.0	4.5	0.7
Integration and social and economic reintegration of disabled people and minorities	0.4	0.3	67.6	0.6	2.3	378.5	0.1	18.3	0.6
Support for vulnerable people and street children	28.1	21.3	75.5	43.4	25.4	58.6	1.5	5.1	28.6
National Social Safety Nets Program	-	-	-	-	-	-	0.0	0.0	12.0
Social Safety Nets Support Program (Lisungui Projects)	0.2	3.5	1920.8	0.2	0.0	0.0	0.0	0.0	0.2
Lisungui Projects	14.8	14.8	99.9	17.9	0.0	0.0	0.0	0.0	1.0
Self-employment and training for small trades through income-generating activities for the benefit of young people in general and particularly unemployed young people	2.7	0.1	1.9	3.2	0.0	0.6	0.3	25.0	1.2
Implementation of universal health insurance	26.9	0.0	0.1	28.4	0.0	0.0	4.5	20.1	22.6
Agriculture, fishing and livestock	**16.9**	**10.1**	**59.9**	**20.1**	**8.2**	**40.9**	**1.6**	**12.8**	**12.7**
Supervision program for market gardeners in urban and rural centers	9.9	6.0	60.8	12.3	4.6	37.9	0.0	0.0	5.2
Improved seed distribution program	0.5	1.3	241.1	0.8	0.5	59.7	0.2	27.0	0.7
Agricultural techniques outreach and demonstration program	2.7	2.2	83.0	3.1	2.2	71.8	0.8	26.5	3.0
Livestock techniques demonstration program	3.7	0.5	13.8	3.8	0.8	19.9	0.6	16.6	3.6
Bovine sharecropping program	0.1	0.1	77.7	0.1	0.1	93.6	0.0	26.4	0.1
Promotion of women	**4.8**	**2.3**	**47.9**	**5.6**	**1.5**	**26.8**	**1.3**	**23.8**	**5.4**
Gender issue	2.9	1.6	56.3	2.8	1.1	39.4	0.6	20.1	3.0
Self-employment and training in small trades through income-generating activities for the benefit of women and young mothers	2.0	0.7	35.6	2.8	0.4	14.0	0.7	28.6	2.3
TOTAL	**479.5**	**290.7**	**60.6**	**557.0**	**236.4**	**42.4**	**55.5**	**9.8**	**565.3**

Source: Congolese authorities.

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

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

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

INTERNATIONAL MONETARY FUND

REPUBLIC OF CONGO

June 24, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—INFORMATIONAL ANNEX

Prepared By | The African Department (in Consultation with other Departments)

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A. Financial Relations

(As of January 31, 2024)

I. Membership Status	Joined July 10, 1963; Article VIII	
II. General Resources Account	**SDR Million**	**Percent Quota**
Quota	162.00	100.00
Fund holdings of currency (Exchange Rate)	141.95	87.62
Reserve Tranche Position	20.13	12.43
III. SDR Department	**SDR Million**	**Percent Allocation**
Net cumulative allocation	234.96	100.00
Holdings	10.57	4.50
IV. Outstanding Purchases and Loans	**SDR Million**	**Percent Quota**
ECF Arrangements	291.60	180.00

V. Latest Financial Arrangements

Type	Date of Arrangement	Expiration	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	21-Jan-22	20-Jan-25	324.00	259.20
ECF	11-Jul-19	10-Apr-21	324.00	32.40
ECF	8-Dec-08	4-Aug-11	8.46	8.46

VI. Projected Payments to the Fund

	Forthcoming				
Year	2024	2025	2026	2027	2028
Principal	0.00	6.48	6.48	19.44	38.88
Charges/Interest	9.20	9.14	9.14	9.14	9.15
Total	9.20	15.62	15.62	28.58	48.03

Implementation of HIPC Initiative

Commitment of HIPC assistance	**Enhanced Framework**
Decision point date	Mar 2006
Assistance committed by all creditors (US$ Million)[1]	1,574.60
Of which: IMF assistance (US$ million)	7.73
(SDR equivalent in millions)	5.40
Completion point date	Jan 2010
Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	5.40
Interim assistance	0.90
Completion point balance	4.49
Additional disbursement of interest income[2]	0.86
Total disbursements	6.26

Note:

Decision point: point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance: amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point: point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

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[1] Assistances committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[2] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

Implementation of Multilateral Debt Relief Initiative (MDRI)

MDRI-eligible debt (SDR Million)[1]	7.86
Financed by: MDRI Trust	4.79
Remaining HIPC resources	3.07
Debt Relief by Facility (SDR Million)	

Eligible Debt

Delivery Date	GRA	PRGT	Total
January 2010	N/A	7.86	7.86

[1] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Safeguards Assessment:

The Bank of the Central African States (BEAC) is the regional central bank of Central African Economic and Monetary Community (CEMAC). Under the IMF safeguards policy and in line with the four-year cycle for safeguards assessments of regional central banks, a safeguards assessment was completed in 2022. The 2022 assessment noted that subsequently to the 2017 legal reforms strong governance arrangements remained in place. While external audit arrangements were considered as robust, the assessment encouraged additional strengthening of internal audit mechanisms, risk management, and cyber-resilience and business continuity frameworks. A safeguards monitoring mission took place at end-2023 to follow up on the remaining 2022 safeguards recommendations, an external quality assessment of internal audit, and the current implementation of the governance framework. The mission's preliminary recommendations include onboarding for new members of senior management and the Board and a delegation framework for executive decision-making.

B. Nonfinancial Relations

Exchange Rate Arrangements:

The de jure and de facto exchange rate arrangement of CEMAC is a conventional peg. The Republic of Congo participates in CEMAC and has no separate legal tender. The regional currency is the CFA franc, which is pegged to the euro at a fixed rate of CFAF 655.957 per euro. Congo has accepted the obligations of Article VIII, Sections 2(a), 3 and 4 of the IMF's Articles of Agreement and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

Article IV Consultations:

Based on the current ECF arrangement, consultations with Congo are now on a 24-month cycle.
The last Article IV consultation discussions held virtually on July 14–July 21, 2021.
The consultation was concluded by the Executive Board on June 29, 2022, when the staff report (Country Report No. 22/210 at www.imf.org) was discussed.

Technical Assistance

Technical Assistance Received in Fiscal Year 2024				
Dept/Provider	**Topic**	**Mission Purpose**	**Start**	**End**
Fiscal Affairs				
AFC	Customs Administration	Comparison of customs import and export processes with CEMAC and international standards	11/06/2023	11/17/2023
AFC	Customs Administration	Improve customs administration core functions	4/28/2023	4/30/2024
AFC	Revenue Administration	Strengthening revenue administration and governance arrangements	2/6/2024	3/8/2024
AFC	Revenue Administration	Establishment of an inventory of taxes collected by customs in addition to excise taxes (LTX)	3/11/2024	3/15/2024
FAD	Revenue Administration	Diagnostic of taxes additional to excise taxes	4/8/2024	4/12/2024
FAD	Expenditure Policy	Energy subsidies; price structure analysis for fuel products	4/15/2024	4/29/2024
FAD	Public Financial Management	Budget execution and control Resident LTX	5/1/2023	4/30/2024
AFC	Public Financial Management	Follow-up on macro-fiscal frameworks	5/8/2023	5/19/2023
FAD	Public Financial Management	Using FAD cash management tool	5/31/2023	6/07/2023
AFC	Public Financial Management	Seminar on program-based budgeting	10/24/2023	10/28/2023
AFC	Public Financial Management	Peer-based learning on macro-fiscal frameworks	11/6/2023	11/10/2023
AFC	Public Financial Management	Budget preparation	3/11/2024	3/15/2024
AFC	Public Financial Management	Cash management module in SIGFIP	3/11/2024	3/22/2024
AFC	Public Financial Management	Strengthening of revenue forecasting.	4/1/2024	4/12/2024
FAD	Public Financial Management	Compliance with respect to improvement plan for revenue forecasting	4/15/2024	4/26/2024

Technical Assistance Received in Fiscal Year 2024 (concluded)				
Dept/Provider	**Topic**	**Mission Purpose**	**Start**	**End**
AFC	Tax Administration	Taxation of downstream oil sector	9/7/2023	9/21/2023
Legal Department				
LEG	Governance	Law on conflicts of interests (LTX expert desk work)	5/1/2023	4/30/2024
LEG	Governance	Law on conflicts of interests: follow-up on GDA recommendations	10/01/2023	6/28/2024
LEG	Governance	Law on conflicts of interests: Analysis of aspects around political economy (STX expert)	11/30/2023	4/30/2024
LEG	Governance	Law on conflicts of interests: Review of GDA	4/08/2024	4/12/2024
Monetary and Capital Market Department				
AFC	Debt Management	Sovereign debt portfolio risk management	7/10/2023	7/14/2023
AFC	Debt Management	Debt and cash management coordination	10/9/2023	10/202203
AFC	Debt Management	Follow-up on debt and cash management integration	3/04/2024	3/08/2024
MCM	Debt Management	Development and implementation of medium-term debt strategy	3/18/2024	3/22/2024
Statistics				
AFC	National Accounts Statistics	Strengthen compilation and dissemination of macroeconomic and financial statistics	5/01/2023	03/30/2024
AFC	National Accounts Statistics	Work on Quarterly National Accounts, GDP rebasing	2/26/2024	03/08/2024
AFC/STA	Government Finance Statistics	SOE data development	1/15/2024	1/26/2024
STA	External Sector—BoP	External sector statistics: regular production and dissemination	3/04/2024	3/15/2024

RELATIONS WITH THE WORLD BANK

The IMF and the World Bank teams frequently exchange views on relevant macroeconomic and structural issues in the Republic of Congo, including continuing cooperation on preparing semiannual DSAs as required under the current ECF arrangement. Additional cooperation during the last year has included discussions related to Congo's macroeconomic situation, institutional reforms for public financial management, scaling up of social safety nets; promoting resilience to climate change; supporting inclusiveness and the development of human capital, improving quality in urban development and infrastructure sector, and updates on the status of World Bank country programs. These World Bank country programs are aimed at improving competitiveness and development outcomes especially in the area of human capital, and include a conditional cash transfer program, a program for reduction of greenhouse gas emissions, programs to develop seeds and the training of farmers, and measures to improve productivity including in the rural area through investment in the digital economy, roads, health services, and sustainable and climate-smart agriculture.

Republic of Congo: IMF and WB Joint Action Plan
(As of February 23, 2024)

Title	Products	Expected Delivery
WB work program in the next 12 months	**Analytical Work**	
	Republic of Congo Urbanization Review	April 2024
	Congo Poverty Assessment	September 2024
	Leveraging Natural Capital Accounting and Climate Finance for the Congo Basin Forests	April 2025
	Platform on Gender, Gender-based Violence, Social Inclusion, and Citizen Engagement	June 2025
	Governance Programmatic Advisory Services and Analytics: Provision of Knowledge Products for Governance	January 2026
	Lending	
	LISUNGI Emergency COVID-19 Response Project US$83 million	Ongoing
	Emissions Reductions Program in Sangha and Likouala US$97.4 million	Ongoing
	Northern Congo Agroforestry Project US$15.58	Ongoing
	Social Protection and Youth Productive Inclusion Project US$50 million	Ongoing
	LISUNGI Social Safety Nets Project US$34 million	Ongoing
	COVID-19 Emergency Response Project US$56 million	Ongoing

Republic of Congo: IMF and WB Joint Action Plan (As of February 23, 2024)		
Title	**Products**	**Expected Delivery**
WB work program in the next 12 months	**Lending**	
	Fiscal management and inclusive Growth US$80 million	Ongoing
	Kobikisa Health System Strengthening Project US$50 million	Ongoing
	Digital Acceleration Project US$100 million	Ongoing
	Climate-Resilient and inclusive Livelihoods US$120 million	Ongoing
	Support to Indigenous Peoples and Local Communities for Sustainable Resources Management US$4.5 million	Ongoing
	Accelerating Governance Institutional Reforms for sustainable services (AGIR) in RoC US$70 million	Ongoing
	Transforming the Education Sector for Better Outcomes and Results (TRESOR)	TBD
	Republic of Congo Third Fiscal Management and Inclusive Growth DPF	TBD
	Strengthening Electricity Services Project	TBD

RELATIONS WITH THE AFRICAN DEVELOPMENT BANK AND OTHER INTERNATIONAL ORGANISATIONS

The IMF and the African Development Bank teams maintain an ongoing exchange of views on relevant macroeconomic and structural issues in the Republic of Congo. Cooperation during the last year has included discussions related to the macroeconomic situation in Republic of Congo; preparation of the budget support documents in the context of the Republic of Congo ECF-backed program; reinforcing capacity in statistics, improving quality in urban development and infrastructure sector and updates on the status of the AfDB country programs. These AfDB country programs are aimed at the two priority areas of developing sustainable infrastructure to support the strengthening of value chains with high growth potential and improving human capital, and economic and financial governance to support the business climate.

Republic of Congo: IMF and AfDB Joint Action Plan
(As of June 23, 2024)

Title	Products	Expected Delivery
AfDB work program in the next 12 months	**Analytical Work**	
	Implementation of the Agriculture Transformation Agenda in Congo	Ongoing
	Lending	
	PRODIVAC-Cofinancing of the Strategic Climate Fund of US$8 million, of which US$2 million from Grant.	Ongoing
	Human skills and resources development project US$10.55 million	Ongoing
	Project to support investment climate and forest governance US$22.90 million	Ongoing
	Integrated Agricultural Value Chain Development Project US$88.14 million	Ongoing
	Project to support the capacity building of the Ministry of Planning, Regional Integration and Statistics, Grant US$1.14 million	Ongoing
	Ndende-Dolisie Road and Transport Facilitation Project US$44.05 million	End-2024
	Ketta-Djoum Road construction project phase 2 — Congo US$147.10 million	Ongoing
	Project Central Africa Backbone (CAB) — component related to Congo US$62.67 million	Ongoing
	Project for the improvement of road access to the road-rail bridge over the Congo River, Grant 2.82 million	Ongoing

INTERNATIONAL MONETARY FUND

REPUBLIC OF CONGO

June 24, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

Republic of Congo: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*In Debt Distress*
Overall risk of debt distress	*In Debt Distress*
Granularity in the risk rating	*Sustainable*
Application of judgement	*Yes. While external arrears are currently below 1 percent of GDP, there is a high likelihood of further recurrence.*

Approved By
Vitaly Kramarenko and Fabian Valencia (IMF) and Manuela Francisco and Abebe Adugna (IDA)

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

The overall and external debt[1] *of the Republic of Congo are classified as "in distress", reflecting the ongoing restructuring and audit of domestic arrears, as well as the recurrent accumulation of temporary external arrears but debt is assessed as "sustainable". All legacy external arrears (those already existing by the inception of the ECF) have been resolved by the time of the fourth review of the ECF, with exception of disputed debt and pre-HIPC claims.*

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

Improved debt management (including restricting new external financing to concessional terms), fiscal discipline, robust oil prices, and recently completed debt restructuring (including resolution of arrears, nominal haircuts on their outstanding stock, maturity extensions, and interest rate reductions) are projected to help all external liquidity and solvency indicators fall below their thresholds by 2026 under the baseline scenario.[2] *Robust oil prices in the near term (based on the February 2024 WEO assumptions) and higher non-hydrocarbon growth supported by the authorities' reform agenda, coupled with increased debt amortization (because debt service is tied to oil prices), are expected to reduce the public debt-to-GDP ratio and help avoid accumulation of new domestic arrears.*

Nevertheless, there are major external and overall debt-related risks, as signaled by the PV of the public debt-to-GDP indicator exceeding its benchmark through 2032 and one external debt indicator breaching its respective threshold that is, however, contained within 3 years.[3] *Even though the PV of overall public debt-to-GDP ratio breaches its benchmark extensively, it is assessed as sustainable given that the risks are mitigated by i) steady and significant declines in the relevant ratios going forward; and ii) expected accumulation of government deposits at the Central Bank.*

There are several risks to debt sustainability. The debt sustainability assessment is highly vulnerable to negative oil price shocks, and conditions in regional markets (CEMAC banking systems) may tighten if the government's financing needs exceed the current baseline projections.

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

PUBLIC DEBT COVERAGE

1. The coverage of public debt in this DSA is limited to central government debt and oil-backed debt contracted by the national oil company (SNPC), the largest state-owned enterprise. State and local governments in Congo are not allowed to borrow and depend on local taxes and transfers from the central government. Debt from oil-backed pre-financing arrangements contracted with oil traders through SNPC and guaranteed by the central government is included in the analysis. The debt of other state-owned enterprises (SOEs), which is not publicly guaranteed, and the non-guaranteed debt of SNPC are included as contingent liabilities.[4] A comprehensive debt management strategy was recently established as part of the conditionality under the ECF, with the restructuring of the debt management office anticipated to become effective at end-June 2024. In terms of the social security system, there are two entities: (i) a more autonomous Caisse Nationale de Sécurité Sociale (CNSS) that collects contributions

[2] The composite index (CI), estimated at 2.3 and based on the October 2023 World Economic Outlook (WEO) and 2022 World Bank Country Policy and Institutional Assessment (CPIA) data, indicates a weak debt carrying capacity for Congo.

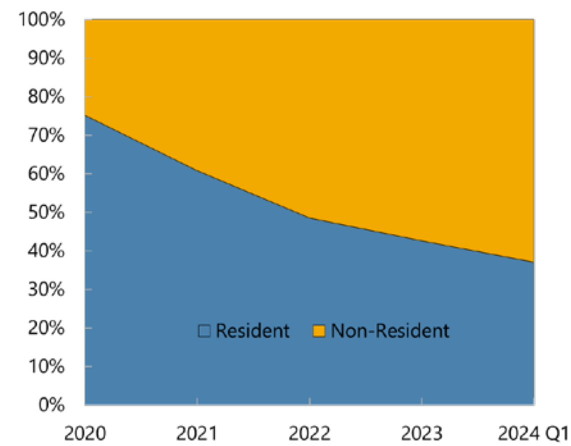
[3] The PV of External debt-to-GDP and External Debt service-to-Exports ratios breach the thresholds for only one year and are discounted from analysis.

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

to pay retirees from both the private sector and public enterprises; and (ii) the Caisse de Retraite des Fonctionnaires (CRF) for public administration employees. Both are under the stewardship of the Ministry of Labor. When unpaid and verified, social debt pertaining to the two pensions fund are usually accounted in the stock of domestic debt. In 2023 for instance, CFAF 269 billion (3 percent of GDP) of unpaid debt from the CNSS has been recognized and repaid by the government through securitization.

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
(Percent of total issuance)



3. **Contingent liabilities are elevated and pose a risk.** The contingent liability (CL) stress test of 22.2 percent of GDP is customized to account for possible missing general government debt due to legally disputed claims of domestic arrears (about 0.8 percent of GDP), revised arrears under audit not included in the forecast assumptions (2.5 percent of GDP),[5] and litigated external debt (2.05 percent of GDP[6]; Text Table 1). Non-guaranteed debt of the 10 largest SOEs is estimated at 31 percent of GDP,[7] [8] and under the stress test, it is assumed that one third of this amount could end up on the central government balance sheet (10 percent of GDP), while the rest can be paid through the liquidation of SOE assets. In addition, Congo's total PPP capital stock is estimated at 5.7 percent of GDP, with 35 percent of this stock assumed to end up on the government balance sheet under the stress test (2 percent of GDP). To account for a financial

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

[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.

[7] 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. Notice that the Government has embarked on a comprehensive set of fiscal risk management reforms, including the creation of a Fiscal Risk Committee which aims among other objectives at increasing the coverage of SOE debt and financial statements.

[8] 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).

sector 5 percent is applied to the government balance sheet given the limited size of the banking system. In total, the calibration of the CL stress adds up 22.3 percent of the GDP.

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

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

		Default	Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central government plus social security, central bank, government-guaranteed debt		
		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	5.35	Litigated debt; contested domestic debt under audit; rejected domestic arrears
	of which: litigated external debt		2.05	
	of which: contested domestic claim under audit		2.5	
	of which: rejected domestic arrears		0.8	
	of which: domestic arrears to residents swapped for forex debt		0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	10	SOE's debt not guaranteed by the government
4	PPP	35 percent of PPP stock	2.00	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)		22.3	

Notes: 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.

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoEs' 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 increased from 92.5 percent of GDP at end-2022 to 99.0 percent of GDP at end-2023. The increase in the debt-to-GDP ratio results from a sharp increase in domestic public debt which more than offsets the authorities' efforts to remain current on scheduled external debt service payments—where debt service to the two largest external commercial creditors is tied to oil prices, and they are sizeable when oil prices are high. Limits to new external financing in the debt-related conditionality under the ECF arrangement also contributed to the reduction of external public debt.

- External debt decreased from 43.1 percent of GDP at end-2022 to 39.4 percent of GDP at the end of December 2023. The sharp decline in the external debt reflects higher payments on the debt with payments linked with oil prices. Limits to new external financing in the debt-related conditionality under the ECF arrangement also contributed to the reduction of external public debt. Nominal external debt projected for 2024 onwards remains lower than in the previous DSA, despite some increase in debt to bilateral creditors following reconciliation.

- As of December 2023, a large share of external debt is owed to China (including commercial creditors) (12.3 percent of GDP, see Tables 1a and 1b) and oil traders (3.9 percent of GDP). The debt owed to oil traders will be fully repaid by end-2025. Under the Fund-supported ECF arrangement and World Bank Performance Policy Actions (PPAs) under the IDA Sustainable Development Financing Policy (SDFP), the contracting of new external debt is restricted to be on concessional terms.

- Domestic public debt rose from 49.4 percent of GDP to an estimated 59.6 percent of GDP between 2022 and 2023 driven by the inclusion of new social arrears[9] and new issuances to fund the budget. Domestic debt composition is estimated as follows: about half consists of debt owed to banks and non-bank institutions, one-fifth relates to commercial arrears, one-nineth represents social arrears, and the remainder comprises statutory advances from BEAC (the regional central bank) and the use of SDRs.

- At end-2023, total arrears (see Table 1a) amounted to $3,371 million (23.7 percent of GDP), including $495 million of external arrears (3.5 percent of GDP) and $2,876 million of domestic arrears (20.2 percent of GDP).

5. Authorities have reached agreements to resolve external (official bilateral and commercial creditors) and domestic arrears, but temporary external arrears continue to surface due to weaknesses in debt management. The DSA incorporates the resolution of legacy arrears agreement with Exim Bank India that was concluded, and agreements in principle with Brazil and Russia.[10] As in previous DSAs, the debt sustainability analysis also incorporates the impact of three restructuring agreements concluded with external private commercial creditors (oil traders). The restructuring agreement with the smallest of these three creditors was signed in 2020Q3 and included a substantial nominal haircut on the stock of outstanding debt, a maturity extension, and resolution of $61 million in external arrears. This debt was fully repaid by early-2022. The restructuring agreement with the largest creditor was signed in 2021Q1 and that with the next largest creditor was signed in 2022Q1—both of these agreements include debt service formulated as a function of oil prices, a nominal haircut, a maturity extension, and an interest rate reduction, and are likely to lead to full repayment of those debts by not later than 2025.

- Regarding debt service to Libya, administrative issues outside of Congo's control arose with the debt service payment for end-September 2023, requiring the IMF Executive Board's respective December waiver. Another debt service payment due to Libya in March 2024 faced the same hurdle.

- There have been recurring problems with meeting deadlines on external debt service, underscoring the urgency to accelerate progress in strengthening the debt management framework.

[9] This relates to the recognition of CFAF 360 billion of social arrears, which mainly reflects pension arrears and wages arrears, by the central government and the inclusion of CFAF 269 billion of previously unpaid pensions in the debt stock. In 2023, preliminary figures indicate that commercial arrears account for about 2/3 of total domestic arrears. Social arrears which represent the remainder is mainly composed of pensions, wage arrears and scholarship arrears.

[10] Legacy arrears to Russia and Brazil were resolved through mutual agreement in principle on how to handle repayment.

- In 2024Q1, debt service payments to Exim Bank of India and the African Development Bank, amounting to FCFA 3.6 billion were made with a delay greater than 30 days.
- For April 2024 scheduled payments, external arrears on debt service amounted to CFA 20.6 billion. These arrears were subsequently fully repaid.
- For May 2024 scheduled payments, external arrears accumulated to CFAF 3.5 billion, of which 0.11 billion owed to the Arab Bank for Economic Development in Africa (multilateral) which authorities commit to repay fully by end-June 2024.
- For June 2024 scheduled payments amounting to CFA 37 billion are due to the BDEAC and the Arab Bank for Economic Development in Africa (multilaterals), the Exim Bank of India, France, Brazil, Kuwait, Belgium, Russia and Türkiye (bilaterals), and the Eurobond holders (private). Of those, only the yet unpaid debt service to the Arab Bank for Economic Development in Africa, amounting to CFA 0.125 billion would be over 30 days by the time of the Board meeting.

- The authorities continue efforts to resolve remaining pre-HIPC bilateral arrears in the amount of $120 million.

- The authorities cleared legacy external arrears of $4 million with all except one commercial supplier in 2022 and are engaged in good faith discussions with the last remaining commercial supplier to resolve external arrears ($15 million).

- The authorities contest $270 million of pre-HIPC arrears owed to a supplier as part of a broader litigation case. The authorities have requested HIPC treatment for another $94 million of pre-HIPC arrears, which are included at face value in the DSA.

Agreements have been concluded on domestic commercial arrears in foreign and local currency ($140 million and around CFAF 450 billion, respectively) with two large commercial creditors. The WB FY23 PPAs would also help ensure clearance of arrears and prevention of their further accumulation while also helping ensure the concessionality of new external debt. The authorities recently completed a sub-action that was missing under FY23 PPA1, on the publication of the domestic arrears' repayment strategy. The adoption and implementation of a domestic arrears repayment strategy help reduce debt vulnerabilities and provide liquidity to domestic banks and firms and support the recovery of the non-oil economy

6. There have been efforts to address weaknesses in public debt management and reporting. Reorganization efforts around debt management, are encouraging steps but progress needs to continue further to enhance internal communication and coordination to avoid missed debt service payments. 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, including through the adoption of a comprehensive medium-term debt management strategy. This would entail, among other things, the development of effective cashflow forecast and cash management tools, enhanced governance reforms that would support a transparent decision-making process, including a fully functioning Treasury Committee following international standards. For domestic debt, limited capacity, delays in information sharing, weak communication between relevant entities that collect debt information, and the continued audit of arrears complicate debt reporting and management.

Text Table 2a. Republic of Congo: Summary Table of Projected External Borrowing Program 2024

January 1, 2024–December 31, 2024

PPG external debt	Volume of new debt, Jan 1, 2024 to December 31, 2024		
	USD million	CFAF Billion	Percent
By sources of debt financing	**361**	**219**	**100**
Concessional debt, of which	**361**	**219**	**100**
Multilateral debt	257	156	71
Bilateral debt	104	63	29
Other	0	0	0
Non-concessional debt, of which	**0**	**0**	**0**
Semi-concessional[1]	0	0	0
Commercial terms	0	0	0
By Creditor Type	**361**	**219**	**100**
Multilateral	257	156	71
Bilateral - Paris Club	63	38	17
Bilateral - Non-Paris Club	41	25	11
Other	0	0	0
Uses of debt financing	**361**	**219**	**100**
Infrastructure	257	156	71
Social Spending	0	0	0
Budget Financing	104	63	29
Other	0	0	0

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

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

(Millions of USD)

January 1, 2024–December 31, 2024

	USD Million	CFAF Billion
By the type of interest rate		
Fixed Interest Rate	361.0	219.2
Variable Interest Rate	0.0	0.0
Unconventional Loans	0.0	0.0
By currency		
USD denominated loans	170.2	103.5
Loans denominated in other currency	190.8	115.7

Note: All loans are on contracting basis.

7. Congo continues to use escrow accounts for the service of external public debt to its largest bilateral creditor. In 2024, the escrow account used to serve the debt owed to China is expected to be funded with CFAF 218 billion (2.4 percent of GDP). In the context of high oil prices, should there be an accumulation of excess balances in the escrow account which guarantees the payment of three future semi-annual debt service installments, the authorities agreed on their repatriation to avoid sizeable opportunity costs and improve liquidity for treasury operations.[11]

Text Table 3. Republic of Congo: External Arrears Situation

	December 2022 stock			June 2023 stock			December 2023 stock			10 June 2024 stock			10 June 2024 (Excl. unrestructured pre-HIPC arrears)		
	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total	**312.4**	**504.3**	**3.6**	**301.7**	**498.5**	**3.5**	**297.8**	**495.1**	**3.5**	**300.1**	**493.6**	**3.3**	**2.3**	**3.8**	**0.0**
Multilateral and other creditors	0.0	0.0	0.0	3.7	6.1	0.0	0.0	0.0	0.0	0.2	0.4	0.0	0.2	0.4	0.0
Bilateral	86.7	140.0	1.0	72.4	119.6	0.8	72.2	120.0	0.8	74.3	122.1	0.8	2.1	3.4	0.0
Paris Club	11.9	19.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	5.7	9.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	6.2	10.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Paris Club	74.9	120.9	0.9	72.4	119.6	0.8	72.2	120.0	0.8	74.3	122.1	0.8	2.1	3.4	0.0
United Arab Emirates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Libya	0.0	0.0	0.0	0.0	0.0	0.0	1.4	2.3	0.0	2.1	3.4	0.0	2.1	3.4	0.0
Angola	69.8	112.6	0.8	68.2	112.7	0.8	69.0	114.8	0.8	69.0	113.5	0.8	0.0	0.0	0.0
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India Exim Bank	1.9	3.1	0.0	1.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Arabia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Abu Dhabi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postal debt	3.1	5.1	0.0	3.1	5.2	0.0	3.1	5.2	0.0	3.1	5.2	0.0	0.0	0.0	0.0
Private Creditors	225.7	364.3	2.6	225.7	372.9	2.6	225.7	375.1	2.6	225.7	371.1	2.5	0.0	0.0	0.0
CMEC and Chinese companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eurobond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Afreximbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil traders	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Suppliers	225.7	364.3	2.6	225.7	372.9	2.6	225.7	375.1	2.6	225.7	371.1	2.5	0.0	0.0	0.0

Source: Congolese authorities and IMF staff estimates.

B. Macroeconomic Outlook

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

- In 2023, economic growth accelerated moderately driven by the non-hydrocarbon sector while hydrocarbon activity contracted due to technical issues. In the medium term, economic growth is expected to strengthen, driven initially by a temporary acceleration in hydrocarbon activity in 2024– 25, followed by a strengthening of non-hydrocarbon sectors. Prioritized government spending (in infrastructure, education, etc.), pro-growth reforms, financing from development partners, and efforts to accelerate diversification are expected to be the main drivers. Inflation is

[11] Excess balances are not required by contractual obligations and can be freely repatriated.

expected to moderate to 3 percent over the medium term, aligning with the CEMAC inflation target, after having increased in 2023, driven by higher energy costs and lingering cost-push pressures stemming from elevated import prices and supply chain disruptions.

- In reaction to a looser fiscal stance in 2022 that resulted from increased fuel subsidization, a subsequent tightening improved the non-hydrocarbon primary balance by 7.3 ppt to 8.4 percent of non-hydrocarbon GDP in 2023. These fiscal efforts were supported by the ECF arrangement conditionality and comprised revenue mobilization coupled with expenditure restraint, including the streamlining of fuel subsidies, but came partially also from the under-execution of investments and social spending. Lower, but still robust, oil prices imply for 2023 a sizeable overall balance of 5.8 percent of GDP, which is expected to hover around that level over the next 5 years. Over the medium term, the authorities are expected to continue fiscal adjustment, predominantly through revenue mobilization, to solidify long-term fiscal sustainability and support regional international reserves accumulation, while fiscal primary balances and debt ratios are reduced gradually.

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

	2024	2025	2026	2027	2028	2029	2030	2031	2032
Total External Bilateral and Multilateral	**520**	**268**	**279**	**214**	**220**	**222**	**225**	**234**	**244**
Project Financing	**256**	**268**	**279**	**214**	**220**	**222**	**225**	**234**	**244**
Of which:									
Multilateral and other creditors	170	180	204	138	129	131	134	136	144
IMF	0	0	0	0	0	0	0	0	0
IDA	120	128	135	105	66	73	81	78	83
IBRD	50	50	64	27	33	47	40	43	46
AfDB	0	0	0	0	0	0	0	0	0
Others	0	2	4	7	30	11	13	15	15
Official bilateral	86	88	75	75	91	91	91	98	100
Paris Club	45	29	0	0	0	0	0	0	0
France	45	29	0	0	0	0	0	0	0
Non-Paris Club	41	59	75	75	91	91	91	98	100
of which: China	35	59	75	75	91	91	91	98	100
General Budget Financing	**264**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
IMF	86	0	0	0	0	0	0	0	0
Other Development Partners	178	0	0	0	0	0	0	0	0

Sources: IMF and WB staff calculations and projections.

- In 2023, budget support was provided by France (EUR 20 million) and the World Bank ($80 million). In 2024, the World Bank is expected to provide $80 million in budget support plus

$170 million in project loans (Text Table 4).[12] The decline in disbursements beyond 2026 is in line with the authorities' commitment to pursue prudent external borrowing.

- The DSA assumes that Congo continues to obtain the bulk of new external financing on concessional terms in the near and medium terms, including concessional Shorter-Maturity Loans (PBA-SMLs) from IDA; the grant element remains around 33 percent over 2029–44.[13]

- The DSA assumes for the medium-term that the domestic financing profile is broadly similar to the one observed during the last 3 years: 45 percent of Congo's projected domestic financing in the medium-term (2024–2029) is short-term (less than 1-year term), 30 percent is up to a term of 3 years and the remaining 25 percent have a term of more than 4 years. However, as debt is reduced and financial conditions improve, the debt profile becomes gradually more skewed to longer terms, converging to a composition where more than 90 percent of Congo's domestic financing is medium- or long-term, of which more than 60 percent is long-term (more than a 3-year term).

- The DSA assumes for the medium-term that short-term financing (up to a term of 1 year) is obtained at the average interest rate of 6.5 percent, and medium- and long-term financing are obtained at the average interest rate of 9.0 percent. It also assumes that the average interest rates for medium-term financing (terms up to 3 years) converges over time to 6.5 percent, reaching that level in 2030. Moreover, all domestic financing is denominated in local currency.

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[12] Subject to completion of all agreed prior actions, approval by the World Bank Executive Board, and the adequacy of the macro-economic policy framework.

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

Box 1. Main Macroeconomic Assumptions[1]

Economic growth is projected to strengthen in the medium and long terms driven by higher non-hydrocarbon economic activity.

In 2023, non-hydrocarbon sector economic activity rose by an estimated 3.0 percent especially thanks to agriculture, manufacturing, construction, and trade. Continued domestic arrears repayment helped to support the sector. Private sector spending gained some traction supported by the positive spillovers related to elevated oil prices on oil-related sectors and government action.

The medium-term outlook is relatively unchanged compared to the previous DSA, except for adjustments made to reflect the impact of the 2024 floods. Non-hydrocarbon economic growth is projected to accelerate moderately to 3.2 percent in 2024, as floods holds back agriculture, trade, transport, and utilities before accelerating more quickly thereafter. Medium-term growth drivers include the continued repayment of domestic arrears, prioritized investment in infrastructure, healthcare, and education, government initiatives to accelerate economic diversification through advancements in agriculture and manufacturing, and the implementation of structural reforms to expand fiscal space and enhance the business environment.

Economic diversification stands as a cornerstone of the growth outlook, expected to be propelled by:

- **New sectors development***:* Helped by stronger institutions, diversification is expected to continue to drive growth in the longer run, as new sectors (including natural gas production and export) gain additional weight in the composition of the economy. The new gas code, expected for 2024 will require petroleum sector players to use their associated gas more efficiently and will include incentives to establish an integrated gas value chains to enable the optimal utilization of the associated and non-associated gas resources in the domestic market and for export. Congo started to export LNG in Q1 2024. Agriculture is also supposed to gain further weight in the economy supported by development partners' funding, government support through the development of Protected Agricultural Areas, and training.

- **Business friendly reforms***:* The implementation of the 2022 public-private partnership (PPP) law will improve cooperation between the public and private sectors and will contribute to enhancing the availability of growth-led infrastructure, including affordable broadband access, and encouraging concession agreements for distribution and generation in the electricity sector. Regulation supporting greater competition (laws on competition policy and competition authority submitted to Parliament in 2023Q4) will lead to more efficient markets, especially in sectors such as electricity and telecommunications.[2]
The effective application of the new anticorruption law and the horizontal law on inspections, under preparation and expected to be submitted to parliament in 2024, will both promote business climate.[3]

- **Targeted fiscal spending:** growing fiscal space will facilitate the intensifying development of public infrastructure, education, and health, which in turn will support productivity and growth in the non-hydrocarbon sector. The **hydrocarbon sector** outlook is shaped by two different dynamics: a temporary and modest recovery for the oil sector, and growing activity for the nascent gas industry from 2024 onwards.
Oil sector performance was disappointing in 2023 as technical issues in the second half of the year—including transportation and electricity supply disruption—disrupted the positive momentum recorded earlier in the year. As such, oil production declined by 0.5 percent. A technical recovery is expected in 2024 reflecting the resolution of technical malfunctions, before a weakening of activity growth due to aging oilfields and lower oil prices. The **gas industry** is supposed to expand from a very low base driven by investment and external demand. While prices are expected to decline moderately in the longer term, the outlook is underpinned by rising production and demand as developed economies look to diversify the source of their gas imports.

Box 1. Main Macroeconomic Assumptions (continued)

Overall, in the long term, as oil production declines, Congolese economic activity will likely be primarily driven by the **non-hydrocarbon sector.**

Inflation: Inflation increased to 5.6 percent in December 2023, driven by higher energy costs, and lingering cost-push pressures stemming from elevated import prices and supply chain disruptions. Forecasts point towards a moderation to 4 percent on average in 2024, followed by a gradual return to 3 percent over the medium-term, aligning with CEMAC inflation target.

Current account balance: A current account surplus of 6.4 percent of GDP is estimated for 2023, significantly lower than the estimated current account balance of 17.5 percent of GDP in 2022. The decline in surplus is primarily linked to lower global oil prices in 2023 compared to 2022, and a reduction in oil production due to technical problems in the second semester of 2023. The current account is projected to remain in surplus over 2023–27 as oil prices remain at levels comfortable for Congo. Subsequently, the current account is expected to shift to a deficit, projected to an average of 4.6 percent of GDP over 2028–44, reflecting a long-term decline in oil production, partly offset by exports of LNG. Continued investment efforts as part of the diversification strategy will keep imports elevated, only partly offset by increased non-oil exports. As elaborated above, economic diversification will continue to support projected GDP growth.

Fiscal policy aims to reduce debt and support growth.

- After a looser fiscal stance in 2022, fiscal policy was tightened in 2023 more than anticipated with a 7.3 ppts of non-hydrocarbon GDP improvement in the non-hydrocarbon primary balance. The surprise came at the back of the under-execution of investment and social spending in reaction to lower-than-expected hydrocarbon revenues. The fiscal adjustment momentum will, however, continue in 2024 and over the medium. The non-hydrocarbon primary deficit is projected to decline cumulatively by 3.8 ppts to 4.6 percent of non-hydrocarbon GDP in 2029.

- This fiscal adjustment is underpinned by measures supported by the IMF-ECF arrangement, World Bank DPF series, and technical assistance from the IMF, World Bank, and other development partners—including increases in administered retail fuel prices (complemented by social assistance targeted to the most vulnerable). In particular, the sharp drop in the non-hydrocarbon primary deficit in 2023 was driven by cuts in oil-related transfers to oil sector SOEs, such as SNPC and CORAF, which fell by 3.2 ppts of non-hydrocarbon GDP. Furthermore, the authorities are setting the stage to step up non-oil revenue mobilization to support consolidation going forward. Various reforms to streamline tax expenditures and broaden the tax base are contemplated to raise additional tax revenue of 1.1 ppts of non-hydrocarbon GDP: (i) scaling back custom duty exemptions under the Resilience Plan, (ii) operationalizing digital taxation, (iii) adjusting excise taxes to comply with CEMAC guidelines, and (iv) removing fuel-related VAT exemptions. In addition, the authorities are committed, though have not yet implemented, to further improving tax collection. Structural fiscal reforms to boost tax capacity and improve fiscal institutions are being implemented with TA from the IMF and other donors to : (i) harmonize the legal base for VAT taxation, (ii) improve tax (one-stop shop for tax payments, digital platform for tax declarations) and customs administration, (iii) improve energy SOE governance and efficiency, (iv) operationalize an automatic fuel pricing mechanism, (iv) improve fiscal transparency, and (v) collect more dividends from SOEs.

- A fiscal adjustment based on strengthened non-hydrocarbon revenues combined with spending discipline will not only help stabilize public debt ratio and strengthen medium-term sustainability, but also free up fiscal space for increased targeted social transfers and public investment, boosting potential growth. Progress in structural reforms will support more efficient public spending and lead to higher investment returns and fiscal multipliers.

Box 1. Main Macroeconomic Assumptions (concluded)

- The authorities continue to be committed to fiscal and debt reforms and to the ECF arrangement. In particular, the recently completed debt restructuring and efforts to settle remaining arrears illustrate this commitment. Greater tax revenue mobilization, together with external borrowing on concessional terms, will reduce the debt service burden and allow the financing of critical infrastructure projects, which in turn will support the government's diversification strategy as outlined in the new development plan (2022–26).
- From a risk perspective, volatility in global oil prices could imply uncertainty for oil revenues and challenge fiscal consolidation. A debt service tied partially to oil prices and plans for ample accumulation of deposits with BEAC, however, substantially mitigate such risks.

Domestic arrears payments: Authorities arrears repayment continued in 2023 with an estimated reimbursement of CFAF 450 billion (5 percent of GDP). The authorities' medium-term fiscal strategy prioritizes domestic arrears repayments—critical for economic and political confidence—while safeguarding social and domestically-financed capital spending and reflecting commitments to enhance debt sustainability. In that context, should revenues fall short, domestic arrears repayments will be slowed. The gradual clearance of domestic arrears should provide more liquidity to the private sector and banks, stimulating private investment and non-oil sector growth. It is also helping alleviate macro-financial risks by reducing liquidity pressures and NPLs.

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

The outlook is dominated by downside risks, including: i) uncertainties surrounding fiscal and debt management, particularly the materialization of contingent liabilities following the audit and verification of public sector's domestic arrears; ii) escalating global conflicts, coupled with increased volatility in oil prices and production amid the low carbon transition, posing potential risks on fiscal and external balances; iii) reversing or delaying fuel subsidy reform, which could jeopardize fiscal sustainability; and iv) frequent climate events and delayed implementation of adaptation strategies, which may further weaken economic resilience and fiscal position.

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[1]The main macroeconomic assumptions discussed here are based on ECF 5th review macro-framework.

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

[3] This law will limit arbitrary inspections and reduce transaction costs for businesses.

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: hydrocarbon and non-hydrocarbon growth, where the impact of the more volatile hydrocarbon growth on overall real GDP dominates given the country's oil dependence. Notably, only non-hydrocarbon growth is impacted by fiscal adjustment policies and the path of non-hydrocarbon growth is consistent with the realism tool. Concurrently, hydrocarbon growth is driven by oil production, which is independent of fiscal adjustment policies. Risks, including from negative oil price shocks, are largely mitigated by repayments to the largest external commercial creditors being tied to oil prices, a gradual increase of government deposits at BEAC, and as a last resort the likely availability of

financing from Congolese financial markets—where banks have high liquidity, as corroborated by the high liquidity ratios for the domestic banks. The DSA also incorporates interest rates for domestic financing consistent with the historical trends and current market conditions. Further, in the long term, with structural and governance reforms and after exiting fragility, access to international capital markets can be a source of financing. Moreover, over the medium and long term, economic diversification efforts are supporting economic activity. The new developments in the gas sector and improvements in the business climate underscore a permanent improvement in private investment projections. Improvements in the primary surplus (owing to oil revenues in the near- and medium-terms and sustained consolidation efforts) are the main driver in reducing debt, with real GDP growth also contributing marginally (Figure 3). The primary balance realism tool suggests a realistic 3-year adjustment, in line with the previous DSA (IMF Country Report 2024/2). The realism tools also 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

	2024	2025	2026	2027	2028-2032	2033-2042
New Loan Disbursements (billions FCFA)						
Current DSA	312.5	163.9	170.6	130.8	140.5	184.0
ECF 4th Review	331.9	161.5	167.6	128.0	126.6	105.2
Grant Element of New External Borrowing (in percentage points)						
Current DSA	25.6	29.9	30.7	35.1	33.3	33.1
ECF 4th Review	30.3	30.0	30.6	24.4	34.1	38.2
Primary balance (percent of GDP)						
Current DSA	7.0	6.0	5.6	6.1	6.6	2.0
ECF 4th Review	7.9	6.6	5.9	6.3	7.5	2.1
Real GDP growth (percent)						
Current DSA	2.8	3.7	3.5	3.5	3.8	3.7
ECF 4th Review	4.4	3.2	3.7	3.9	4.2	4.0
Current Account Balance (percent of the GDP)						
Current DSA	2.1	1.3	1.3	0.7	-1.4	-5.9
ECF 4th Review	3.2	0.6	-0.9	-1.6	-3.7	-8.8
Congolese Oil prices (US dollars per barrel)						
Current DSA	78.6	74.5	71.5	69.7	71.7	83.3
ECF 4th Review	79.4	79.2	76.3	73.2	71.1	82.6
Brent Oil prices (US dollars per barrel)						
Current DSA	79.6	75.5	72.7	71.0	72.8	84.6
ECF 4th Review	82.4	81.2	77.4	74.3	72.2	83.8

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

C. Country Classification and Determination of Stress Test Scenarios

10. **The composite index (CI) is assessed at 2.3 and is based on the April 2024 World Economic Outlook (WEO) and 2023 World Bank Country Policy and Institutional Assessment (CPIA) data, indicating a weak debt carrying capacity for Congo**. The methodology relies on computing a composite indicator (CI) based on information from the CPIA score, external conditions as captured by world economic growth, and country-specific factors, including import coverage of reserves. The Republic of Congo's low CI score indicates a weak debt carrying capacity, reflecting mainly a low CPIA score and a low level of foreign reserves (Text Table 6). The CI score is similar to that in the previous DSA.

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

Country	Congo, Republic of
Country Code	634

Debt Carrying Capacity	Weak

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.3	Weak 2.3	Weak 2.2

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.762	1.06	46%
Real growth rate (in percent)	2.719	1.474	0.04	2%
Import coverage of reserves (in percent)	4.052	28.148	1.14	49%
Import coverage of reserves^2 (in percent)	-3.990	7.923	-0.32	-14%
Remittances (in percent)	2.022	0.003	0.00	0%
World economic growth (in percent)	13.520	2.889	0.39	17%
CI Score			2.3	100%
CI rating			Weak	

Applicable thresholds

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

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

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

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

DEBT SUSTAINABILITY ANALYSIS

A. External Debt Sustainability Analysis

12. Under the baseline, the breach of one external debt indicator vis-à-vis Congo's indicative thresholds is contained within 2 years (Figure 1). Under the current terms on the already restructured debt, all threshold breaches are eliminated by 2026 under the baseline scenario. The debt service-to-revenues ratio, at 24.5 percent in 2024 is projected to decline to 11.0 percent in 2026 (below the 14 percent threshold), when most of the external commercial debt will have been repaid. The PV of external debt-to-GDP ratio and the debt service-to-exports ratios are discounted from analysis as they are only above their indicative thresholds of 30 percent and 10 percent respectively in the year 2023. The PV of external debt-to-GDP ratio which was 31 percent at end-2023, is projected to decline to 27.1 percent in 2024, below the threshold. Likewise, the debt service-to-exports ratio is projected to decline to 7.5 percent by 2025 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 40.7 percent over 2028–33.

13. All indicators of external public debt breach their indicative thresholds in stress test scenarios (Figure 1). Standard shock scenarios examine the implications of various shocks to the debt and debt-service paths based on the historical volatility of the country's economic indicators, resulting in sharp increases in the debt burden and liquidity indicators in all cases. The exports shock stress test is the most extreme for all indicators, reflecting the Republic of Congo's high dependence on oil exports and high volatility of oil exports. A decline in exports to a level equivalent to one standard deviation below their historical average in the second and third years of the projection period would cause the PV of debt-to-exports ratio to rise and remain elevated over the medium term, while the PV of debt-to-GDP would peak at 77.6 percent. While this shock is intended to simulate the impact of reduced oil export receipts (oil is about 80 percent of exports) that could arise from a decline in oil prices, it does not account for debt service to the largest external commercial creditors being tied to oil prices (i.e., debt service in a given year declines with reduced oil prices).

14. Reflecting weak debt management, the external and overall debt is still assessed to be in-distress but sustainable (see ¶16). Weaknesses in debt management have caused recurrent delays in paying external debt service, causing recurrent breaches of the continuous performance criteria for non-accumulation of new external arrears. Authorities remain fully committed to strengthen their debt management systems, with support from the World Bank and the IMF, including by restructuring the debt management office (CCA) by end June 2024 and the comprehensive quarterly debt bulleting covering stock and flow data published at end March 2024. 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 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 ratio of 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 2034 and then remains below the threshold for the remainder of the horizon. As the PV of public debt breaches its benchmark until 2033, and the authorities are trying to recognize domestic arrears as debt after auditing them, the overall debt is still assessed as in distress but sustainable given that liquidity risks are mitigated by i) its downward path going forward and ii) the expected accumulation of government deposits at the Central Bank. This assessment of debt vulnerabilities is further supported by stress-tests; the growth shock stress test is the most extreme for public debt burden indicators, highlighting downside risk related to an inability to clear arrears if growth remains subdued, constraining the fiscal space to clear domestic arrears. In contrast, historical scenarios point towards perennially rising PV of debt-to-GDP and PV of debt-to-revenue ratios (Figure 2), which reflect large historical residuals[14] and low growth rates. Nevertheless, the baseline PV of Debt to Revenue is declining going forward, and the Debt Service to Revenue ratio peaks in 2026 before declining going forward.

RISK RATING AND VULNERABILITIES

16. The overall and external debt of the Republic of Congo are assessed to be sustainable, but debt is currently "in distress". The assessment of debt distress is a result of the weaknesses in debt management that have resulted in several instances of temporary accumulation of external arrears, coupled with the uncertainty in the exact nature and volume of domestic debt pending authorities' ongoing efforts of auditing and recognizing domestic arrears. The recurrence of delays in debt service payments reinforce the assessment that the Congolese debt is "in distress". Nevertheless, legacy external arrears to all bilateral and commercial creditors, excluding disputed debts and pre-HIPC claims, have been resolved. Notwithstanding the low level of program external arrears, currently below the 1 percent of GDP applicable threshold to assess external debt as "in distress", judgement was applied to arrive at the final rating owing to the high likelihood of additional accumulation due to shortcomings in debt management processes as evidenced by repeated debt service payment slippages, and the lack of progress in the reform of the debt management function. Owing to higher oil prices and the downward trend in all the debt and solvency

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

indicators, the breach in the debt service-to-revenue indicator is projected to be resolved by 2026. All this results in the overall and external debt being assessed as sustainable.

17. Risks of overall and external debt distress remain high, given liquidity risks and vulnerability to negative oil price shocks. Liquidity risks, associated with an elevated public debt-to-GDP ratio (exceeding the threshold through 2033) and a large external debt service-to-revenue ratio (the indicator exceeds the threshold through 2025), are mitigated by the steady and significant declines in these ratios going forward, the likely availability of financing from Congolese financial markets, expected accumulation of government deposits with the Central Bank, and diversification efforts that will bear dividends in the form of non-hydrocarbon exports and higher contribution of non-hydrocarbon sectors towards GDP growth. Going forward, the authorities are encouraged to continue pursuing fiscal consolidation, enact policies for diversification to reduce risks and prepare for reduced long-term oil production and demand, clear arrears, and enhance debt management. Nevertheless, the Debt Sustainability Assessment also remains vulnerable to oil price shocks and to imported inflation stemming from elevated global prices for food and other imports. A lower oil price could obstruct the authorities' structural reforms and diversification efforts, whereas high global fuel and food prices could prompt more spending on subsidies for both items, jeopardizing the authorities plans of fiscal consolidation. Opposition to reforms (including due to social discontent) could slow fiscal consolidation and payment of domestic arrears, weighing on banks' ability to lend to the private sector and subsequently economic growth prospects. Unfavorable oil production outcomes pose a significant downside risk to the DSA assessment. Such a scenario can materialize if foreign direct investments fall below the required levels and could also materialize with an unfavorable response from the oil companies on authorities' efforts for tax reforms in the oil sector.[15] In conjunction with underdeveloped secondary markets, elevated sovereign exposure implies a sovereign-bank nexus that can, in case risks should materialize, quickly spread default and liquidity risks. Finally, further downward revisions to GDP statistics (¶7) could raise debt-to-GDP ratios again.

18. The market financing risk module indicates a moderate risk of heightened liquidity pressures. However, a heightened market stress event would not have a substantial impact on debt burden indicators (Figure 5), as Congo does not plan to issue market debt, and instead rely on concessional financing in the medium term to rein in debt vulnerabilities.[16]

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

[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.

[16] EMBIG data for the Republic of Congo is not available. The outstanding bond, due to mature in 2029, was trading with a yield to maturity of 10.42 percent and a spread of 609 bps over the 5-year US treasury bond on March 15, 2024 (Source: Bloomberg, https://www.federalreserve.gov/releases/h15/).

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

(Percent of GDP, unless otherwise indicated)

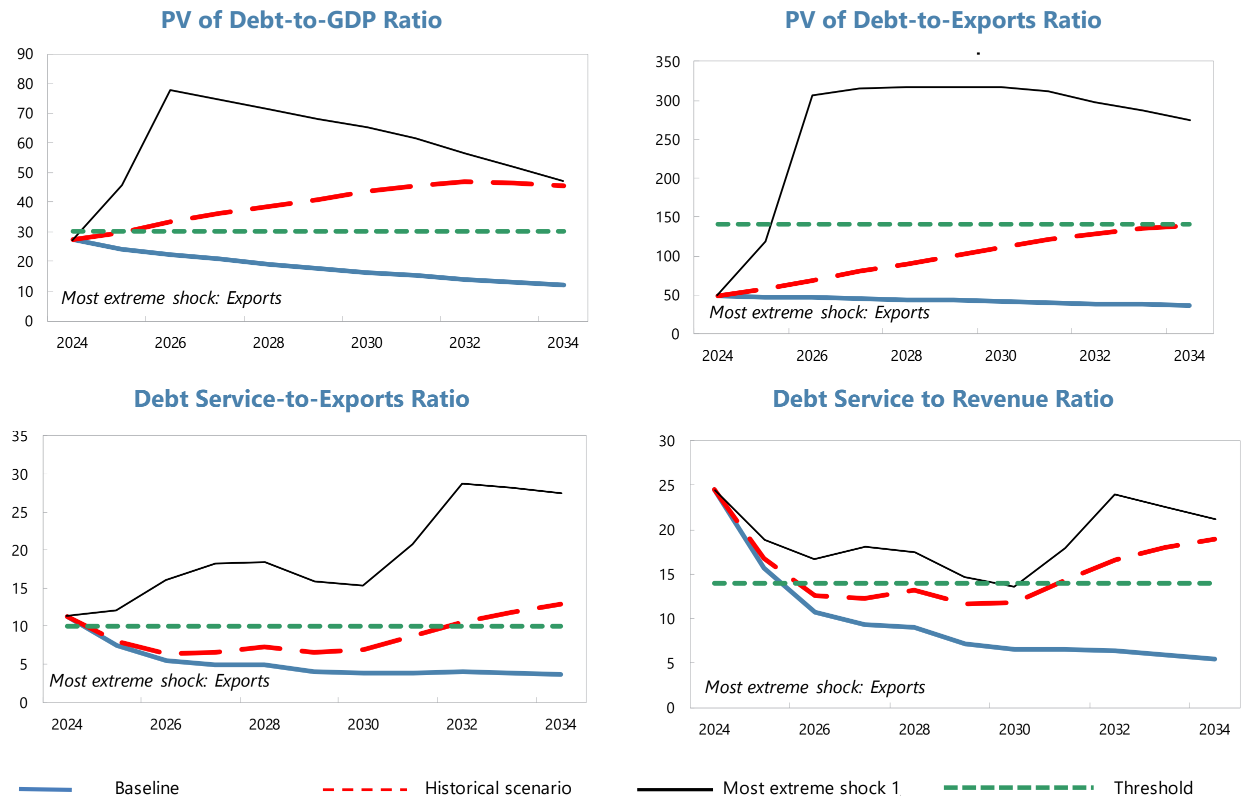
	2023	2024	2027	2032
		PV of Debt-to-GDP Ratio		
Current DSA	31.4	27.1	20.7	13.9
ECF 4th Review	34.2	29.7	23.2	14.7
		PV of Debt-to-Exports Ratio		
Current DSA	54.3	49.1	45.6	38.5
ECF 4th Review	51.4	45.1	43.6	33.4
		Debt Service-to-Exports Ratio		
Current DSA	15.0	11.3	4.9	4.0
ECF 4th Review	11.1	9.0	4.2	3.9
		Debt Service-to-Revenue Ratio		
Current DSA	33.9	24.5	9.4	6.4
ECF 4th Review	28.9	22.8	9.3	7.4

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

AUTHORITIES' VIEWS

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

Figure 1. Republic of Congo: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2024–34



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

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

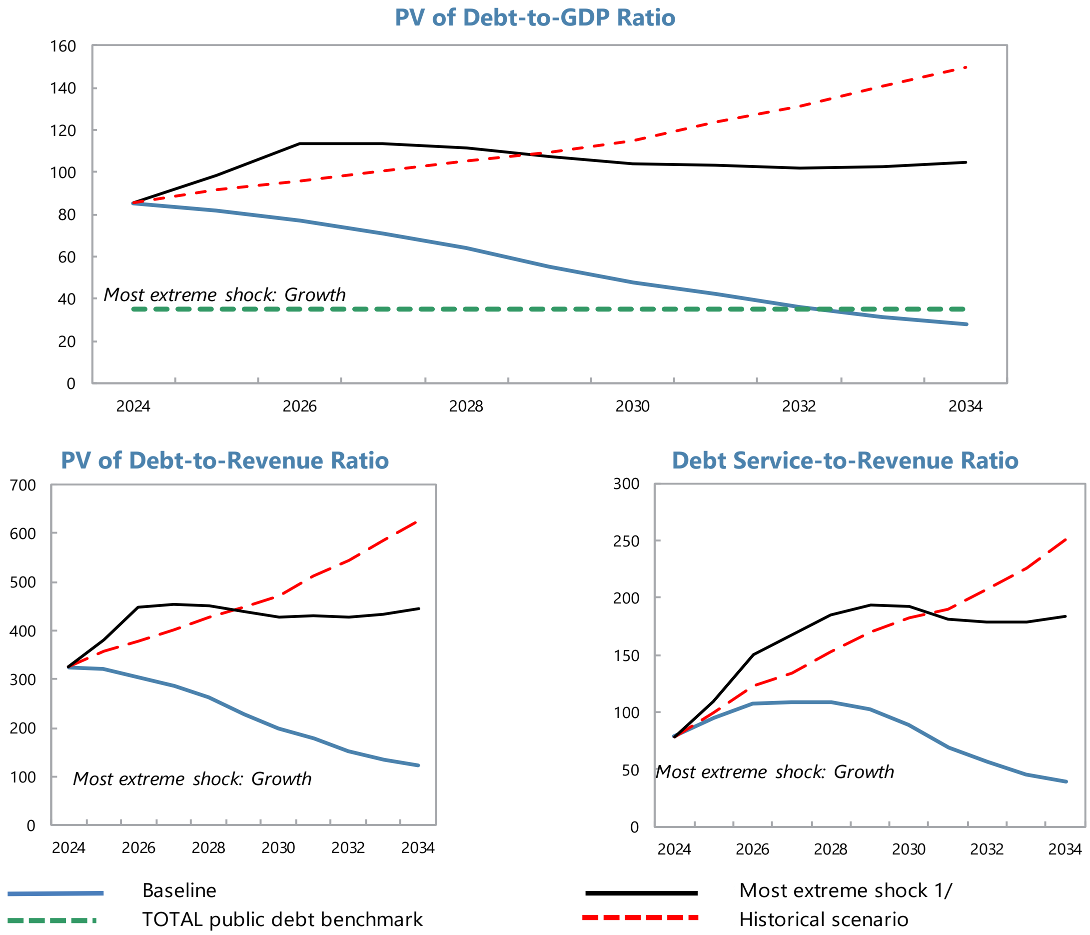
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.1%	2.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. Republic of Congo: Indicators of Public Debt Under Alternative Scenarios, 2024–34



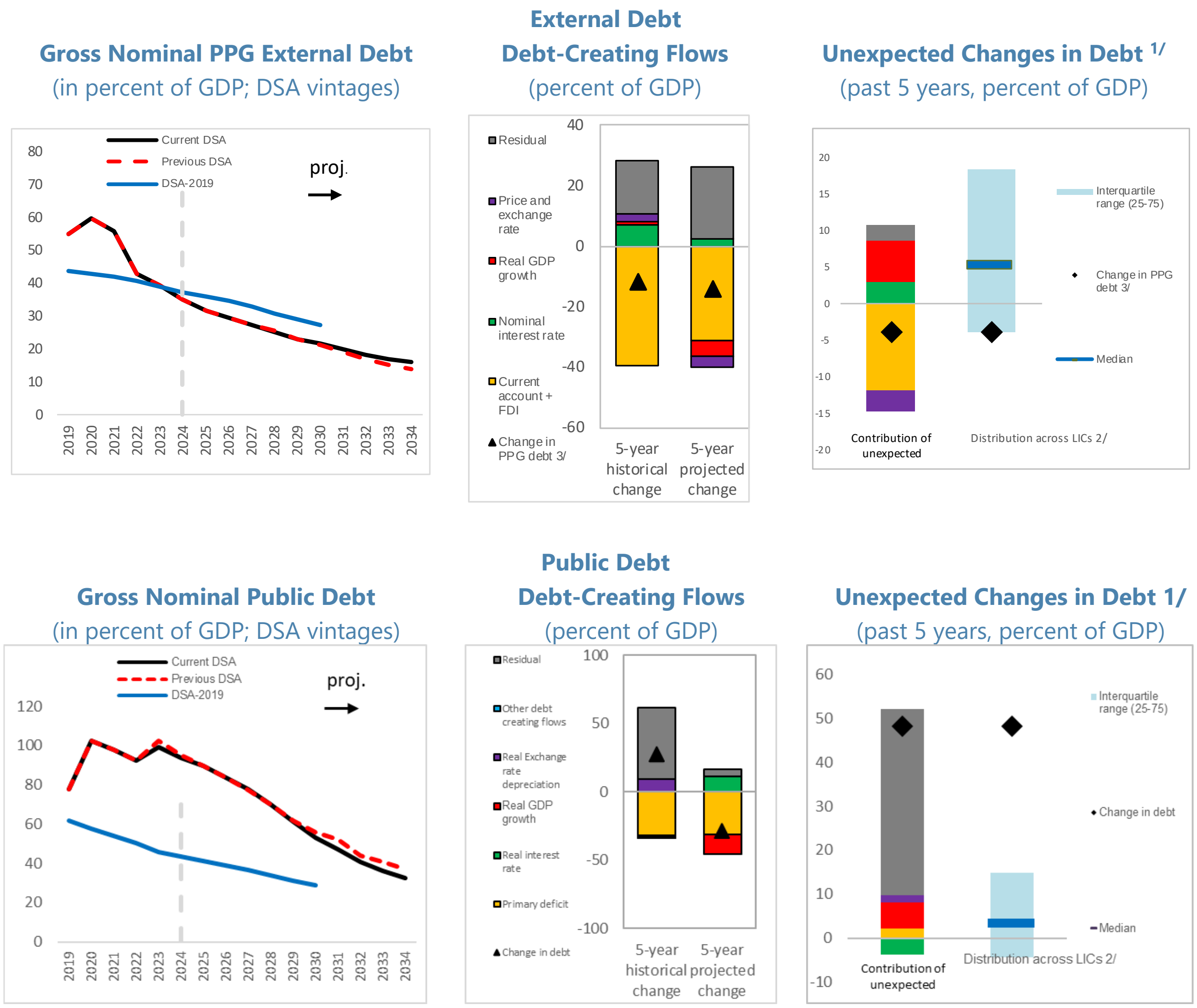
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	10%	10%
Domestic medium and long-term	57%	57%
Domestic short-term	32%	32%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.1%	2.1%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.4%	5.4%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	3.5%	3.5%

* 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 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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



Sources: Congolese authorities and IMF staff projections.

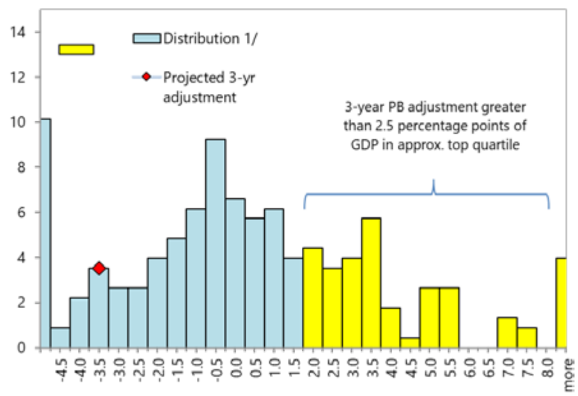
1/ Difference between anticipated and actual contributions on debt ratios.

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

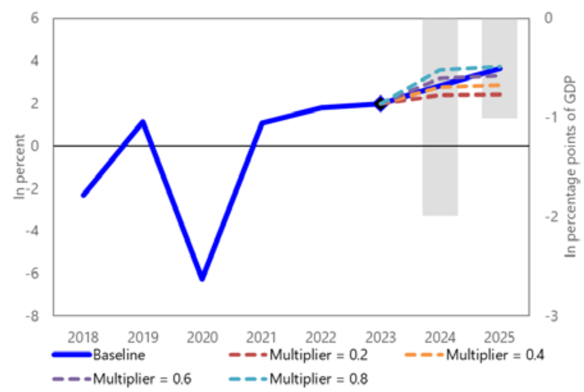
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Republic of Congo: Realism Tools

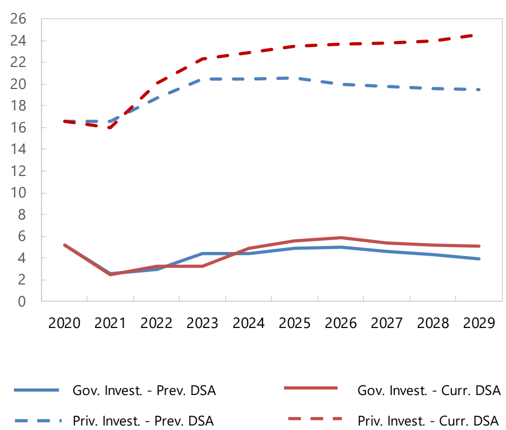
Three-Year Adjustment in Primary Balance 1/
(Percentage points of GDP)



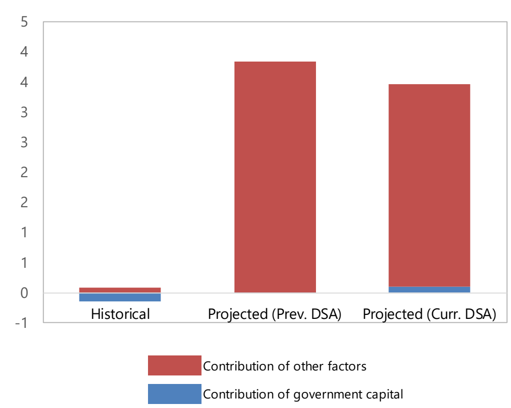
Fiscal Adjustment and Possible Growth Path 2/



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



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



Sources: Congolese authorities and IMF staff estimates.

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

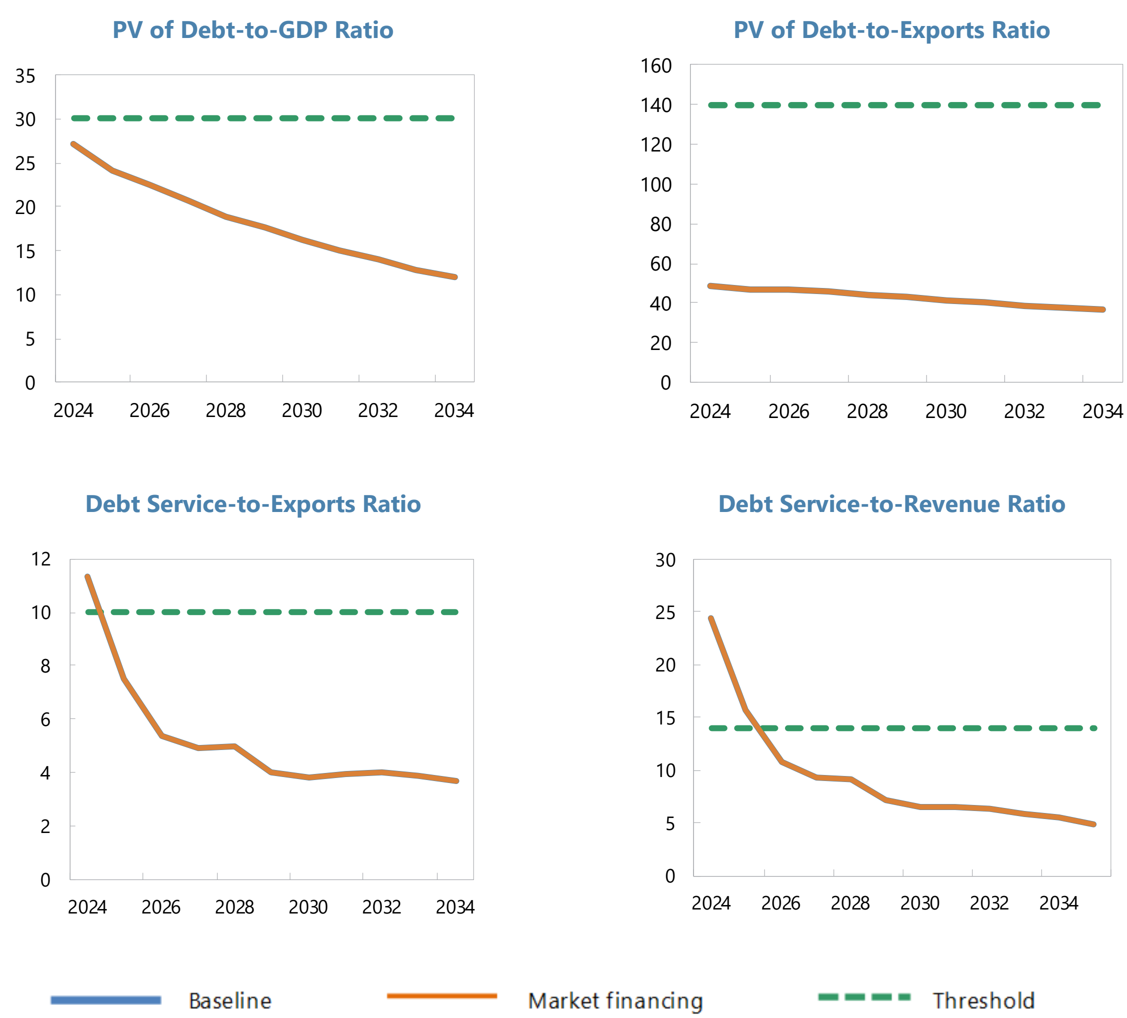
2/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

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

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

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	21	n.a.
Breach of benchmark	Yes	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; staff estimates and projections

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

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

	Dec 30, 2021			Dec 31, 2022			Jun 30, 2023			Dec 31, 2023		
	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP	CFAF billion	USD million	percent of GDP
Total public debt	**7254**	**12500**	**97.8**	**8040**	**12979**	**92.5**	**8155**	**13476**	**94.9**	**8508**	**14120**	**99.0**
External debt	**4136**	**7127**	**55.7**	**3743**	**6042**	**43.1**	**3666**	**6058**	**42.7**	**3382**	**5614**	**39.4**
Of which: arrears	1286	2216	17.3	312	504	3.6	302	499	3.5	298	494	3.5
Multilateral and other creditors	550	948	7.4	781	1261	9.0	862	1425	10.0	944	1567	11.0
Official bilateral	1802	3106	24.3	1753	2830	20.2	1740	2875	20.2	1588	2635	18.5
Paris Club	273	470	3.7	282	455	3.2	283	468	3.3	293	487	3.4
Brazil	57	98	0.8	56	91	0.6	49	81	0.6	50	83	0.6
Belgium	89	153	1.2	81	131	0.9	65	107	0.8	56	93	0.7
France	106	183	1.4	123	199	1.4	30	50	0.4	28	46	0.3
Russia	17	30	0.2	19	31	0.2	35	57	0.4	28	47	0.3
Switzerland	4	6	0.0	2	3	0.0	150	248	1.7	168	279	2.0
Non-Paris Club	1530	2636	20.6	1472	2376	16.9	1457	2407	17.0	1294	2148	15.1
China	1257	2166	16.9	1222	1973	14.1	1212	2003	14.1	1060	1760	12.3
India	68	117	0.9	52	84	0.6	56	93	0.7	50	84	0.6
Kuwait	32	55	0.4	34	54	0.4	33	54	0.4	32	53	0.4
Saudi Arabia	46	80	0.6	49	79	0.6	48	79	0.6	47	78	0.6
Turkey	45	77	0.6	36	58	0.4	31	51	0.4	26	43	0.3
Pre-HIPC arrears (not restructured)	129	222	1.7	73	118	0.8	71	118	0.8	72	120	0.8
Private Creditors	1783	3073	24.0	1208	1950	13.9	1064	1758	12.4	851	1412	9.9
Chinese companies	284	489	3.8	185	298	2.1	181	300	2.1	164	271	1.9
London Club (eurobond)	140	241	1.9	140	226	1.6	129	214	1.5	119	197	1.4
Oil-prepurchased debt	909	1567	12.3	625	1009	7.2	510	842	5.9	336	558	3.9
Afreximbank	54	94	0.7	32	52	0.4	19	31	0.2	6	10	0.1
Suppliers	396	682	5.3	226	364	2.6	226	373	2.6	226	375	2.6
Domestic debt	**3118**	**5373**	**42.0**	**4297**	**6937**	**49.4**	**4489**	**7419**	**52.2**	**5125**	**8506**	**59.6**
BEAC advances and SDR	572	986	7.7	735	1187	8.5	735	1215	8.6	731	1213	8.5
Commercial banks and non-banks	1532	2640	20.6	2115	3413	24.3	2307	3812	26.8	2662	4418	31.0
Audited and validated arrears reported by CCA	1014	1748	13.7	1447	2337	16.6	1447	2392	16.8	1733	2876	20.2

Sources: Congolese authorities; and IMF staff estimates

Table 1b. Republic of Congo: Decomposition of Public Debt and Debt Service by Creditor, 2023–25[1]

	Debt Stock (end of period)			Debt Service						
	2023			2023	2024	2025		2023	2024	2025
	(USD Million)	(Percent total debt)	(Percent GDP)[6]	(USD Million)				(Percent GDP)		
Total	14,120	100.0	99.0	3,576	3,114	3,455		25.9	20.7	23.0
External	5,614	39.8	39.4	1,227	940	604		8.7	6.2	4.0
Multilateral creditors[2]	1,567	11.1	11.0	86	61	68		0.6	0.4	0.4
IMF	344	2.4	2.4	…	…	…	…	…	…	…
World Bank	608	4.3	4.3	…	…	…	…	…	…	…
ADB/AfDB/IADB	495	3.5	3.5	…	…	…	…	…	…	…
Other Multilaterals	121	0.9	0.8	…	…	…	…	…	…	…
o/w: BDEAC	81	0.6	0.6	…	…	…	…	…	…	…
IFAD	23	0.2	0.2	…	…	…	…	…	…	…
Bilateral Creditors	2,635	18.7	18.5	355	345	299		2.5	2.3	1.9
Paris Club	487	3.4	3.4	89	77	46		0.6	0.5	0.3
o/w: France	279	2.0	2.0	…	…	…	…	…	…	…
Belgium	93	0.7	0.7	…	…	…	…	…	…	…
Non-Paris Club	2,148	15.2	15.1	265	269	253		1.9	1.8	1.6
o/w: China	1,760	12.5	12.3	…	…	…	…	…	…	…
India	84	0.6	0.6	…	…	…	…	…	…	…
Commercial creditors	1,412	10.0	9.9	786	534	237		5.5	3.6	1.5
o/w: Bonds	197	1.4	1.4	39	38	40		0.3	0.3	0.3
Other international creditors	1,215	8.6	8.5	747	496	197		5.3	3.3	1.2
o/w: Largest two creditors	558	4.0	3.9	…	…	…	…	…	…	…
o/w: Glencore	349	2.5	2.4							
o/w: Trafigura	210	1.5	1.5							
Others	656	4.6	4.6	…	…	…	…	…	…	…
Domestic[3]	8506	60.2	59.6	2349	2174	2851		16.6	14.5	18.0
T-Bills and Bonds[4]	4036	28.6	28.3	1216	1551	1740		8.6	10.3	11.0
Loans	1483	10.5	10.4	27	27	27		0.2	0.2	0.2
Memo items:										
Collateralized debt[4]										
o/w: Related	558	…	3.9	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…
Contingent liabilities										
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities[5]	267	…	1.9							
Nominal GDP	14,169	…	…	…	…	…	…	…	…	…

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

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

[3] Domestic debt service includes arrears repayment.

[4] 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).

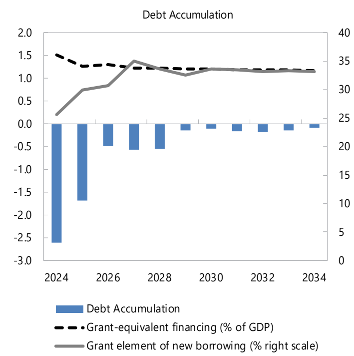
[6] Calculated with debt stock and GDP in local currency units.

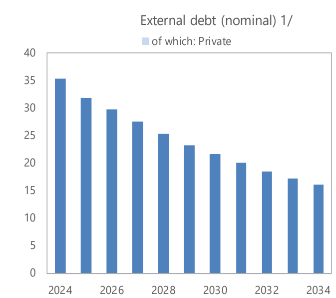
Table 2. Republic of Congo: External Debt Sustainability Framework, Baseline Scenario, 2021–44

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	**55.7**	**43.1**	**39.4**	**35.4**	**31.8**	**29.7**	**27.5**	**25.3**	**23.3**	**16.1**	**9.7**	**51.9**	**24.2**
of which: public and publicly guaranteed (PPG)	**55.7**	**43.1**	**39.4**	**35.4**	**31.8**	**29.7**	**27.5**	**25.3**	**23.3**	**16.1**	**9.7**	**51.9**	**24.2**
Change in external debt	-3.9	-12.7	-3.7	-4.0	-3.5	-2.1	-2.2	-2.2	-2.1	-1.2	-0.4		
Identified net debt-creating flows	**-18.8**	**-11.0**	**-11.7**	**-8.0**	**-7.7**	**-7.3**	**-6.3**	**-4.8**	**-4.1**	**-0.3**	**3.1**	**0.3**	**-4.5**
Non-interest current account deficit	**-13.8**	**-18.9**	**-8.1**	**-2.8**	**-1.8**	**-1.8**	**-1.1**	**0.2**	**0.8**	**4.4**	**5.7**	**-0.5**	**0.5**
Deficit in balance of goods and services	-24.4	-28.5	-16.1	-11.7	-9.9	-9.3	-8.0	-6.5	-5.7	-0.9	4.1	**-5.8**	**-6.1**
Exports	57.9	69.7	57.8	55.3	51.8	48.4	45.3	42.9	41.1	32.9	18.7		
Imports	33.5	41.2	41.7	43.6	41.9	39.1	37.4	36.4	35.5	32.0	22.7		
Net current transfers (negative = inflow)	-0.8	-1.5	-0.8	-0.6	-0.9	-0.9	-0.9	-0.9	-0.9	-1.0	-0.7	**0.4**	**-0.9**
of which: official	-0.8	-1.6	-0.8	-0.6	-0.8	-0.8	-0.8	-0.9	-0.9	-0.9	-0.7		
Other current account flows (negative = net inflow)	11.4	11.1	8.8	9.5	8.9	8.5	7.7	7.6	7.4	6.2	2.4	**4.9**	**7.6**
Net FDI (negative = inflow)	**2.5**	**9.0**	**-4.6**	**-4.8**	**-5.1**	**-4.9**	**-4.6**	**-4.3**	**-4.3**	**-4.3**	**-2.4**	**-1.1**	**-4.6**
Endogenous debt dynamics 2/	**-7.6**	**-1.1**	**1.0**	**-0.4**	**-0.7**	**-0.6**	**-0.6**	**-0.6**	**-0.6**	**-0.4**	**-0.2**		
Contribution from nominal interest rate	0.9	1.2	1.6	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.1		
Contribution from real GDP growth	-0.5	-1.0	-0.8	-1.1	-1.2	-1.1	-1.0	-1.0	-0.9	-0.6	-0.4		
Contribution from price and exchange rate changes	-7.9	-1.4	0.2	...	...	...	...	...	...	...	...		
Residual 3/	**14.9**	**-1.6**	**8.0**	**4.0**	**4.1**	**5.2**	**4.1**	**2.6**	**2.0**	**-0.8**	**-3.5**	**1.2**	**2.4**
of which: exceptional financing	-1.2	-7.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**31.4**	**27.1**	**24.2**	**22.4**	**20.7**	**18.9**	**17.6**	**12.0**	**7.0**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**54.3**	**49.1**	**46.6**	**46.3**	**45.6**	**44.1**	**42.7**	**36.4**	**37.3**		
PPG debt service-to-exports ratio	**12.7**	**15.4**	**15.0**	**11.3**	**7.5**	**5.4**	**4.9**	**5.0**	**4.0**	**3.7**	**3.0**		
PPG debt service-to-revenue ratio	**33.2**	**34.5**	**33.9**	**24.5**	**15.7**	**10.7**	**9.4**	**9.1**	**7.1**	**5.4**	**2.7**		
Gross external financing need (Million of U.S. dollars)	-525.7	112.6	-564.7	-201.7	-485.9	-681.1	-619.3	-378.7	-368.9	353.2	2107.0		
Key macroeconomic assumptions													
Real GDP growth (in percent)	1.1	1.8	2.0	2.8	3.7	3.5	3.5	3.8	3.8	3.9	3.9	**-1.0**	**3.7**
GDP deflator in US dollar terms (change in percent)	15.3	2.5	-0.5	3.0	1.7	2.0	2.2	2.5	3.1	3.0	3.1	**0.0**	**2.7**
Effective interest rate (percent) 4/	1.8	2.3	3.8	1.7	1.6	1.5	1.5	1.5	1.5	1.6	1.6	**2.3**	**1.5**
Growth of exports of G&S (US dollar terms, in percent)	65.8	25.6	-15.9	1.4	-1.3	-1.4	-1.0	0.7	2.7	2.1	6.9	**4.7**	**1.1**
Growth of imports of G&S (US dollar terms, in percent)	36.7	28.2	2.7	10.7	1.3	-1.6	1.1	3.5	4.4	4.2	5.1	**0.7**	**4.0**
Grant element of new public sector borrowing (in percent)	...	...	...	25.6	29.9	30.7	35.1	33.7	32.5	33.2	32.7	**...**	**32.2**
Government revenues (excluding grants, in percent of GDP)	22.1	31.2	25.6	25.6	24.8	24.4	24.0	23.6	23.4	22.3	20.8	**24.9**	**23.6**
Aid flows (in Million of US dollars) 5/	120.8	86.6	119.0	341.1	306.8	341.1	322.7	312.2	333.7	440.3	632.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.5	1.3	1.3	1.2	1.2	1.2	1.2	0.9	**...**	**1.2**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	37.4	51.6	52.8	61.1	61.1	61.7	65.5	65.2	**...**	**58.8**
Nominal GDP (Million of US dollars)	13,387	13,967	14,169	15,006	15,811	16,688	17,641	18,765	20,095	28,211	54,225		
Nominal dollar GDP growth	16.6	4.3	1.4	5.9	5.4	5.5	5.7	6.4	7.1	7.0	7.1	**-1.0**	**6.5**
Memorandum items:													
PV of external debt 7/	...	...	31.4	27.1	24.2	22.4	20.7	18.9	17.6	12.0	7.0		
In percent of exports	...	...	54.3	49.1	46.6	46.3	45.6	44.1	42.7	36.4	37.3		
Total external debt service-to-exports ratio	12.7	15.4	15.0	11.3	7.5	5.4	4.9	5.0	4.0	3.7	3.0		
PV of PPG external debt (in Million of US dollars)			4442.8	4072.8	3821.4	3745.1	3650.1	3553.1	3528.3	3377.3	3771.0		
(PVt-PVt-1)/GDPt-1 (in percent)				-2.6	-1.7	-0.5	-0.6	-0.5	-0.1	-0.1	0.2		
Non-interest current account deficit that stabilizes debt ratio	-9.8	-6.2	-4.4	1.2	1.7	0.3	1.1	2.4	2.9	5.5	6.1		

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.

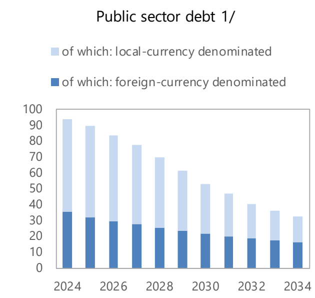
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

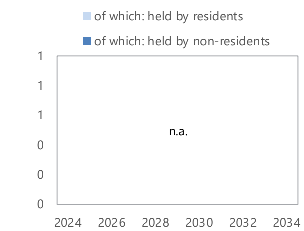
Table 3. Republic of Congo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021–44

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	97.8	92.5	99.0	93.6	89.5	83.9	77.6	70.0	61.1	32.4	24.1	83.0	62.3
of which: external debt	55.7	43.1	39.4	35.4	31.8	29.7	27.5	25.3	23.3	16.1	9.7	51.9	24.2
Change in public sector debt	-4.7	-5.3	6.5	-5.4	-4.0	-5.7	-6.2	-7.6	-8.9	-3.6	0.0		
Identified debt-creating flows	-8.9	-20.2	-5.7	-9.2	-7.0	-5.6	-5.9	-6.5	-6.9	-4.0	0.0	2.6	-6.4
Primary deficit	-3.7	-11.6	-9.0	-7.0	-6.0	-5.6	-6.1	-6.5	-6.7	-3.9	-0.1	0.6	-6.1
Revenue and grants	22.6	31.8	26.5	26.3	25.6	25.1	24.8	24.4	24.2	23.2	21.5	25.5	24.4
of which: grants	0.4	0.6	0.8	0.6	0.8	0.8	0.8	0.8	0.8	0.9	0.7		
Primary (noninterest) expenditure	18.9	20.2	17.5	19.3	19.6	19.6	18.7	17.9	17.5	19.3	21.4	26.1	18.3
Automatic debt dynamics	-5.3	-8.6	3.2	-2.2	-1.0	0.0	0.2	0.0	-0.2	-0.1	0.1		
Contribution from interest rate/growth differential	-6.0	-8.2	1.5	-2.2	-1.0	0.0	0.2	0.0	-0.2	-0.1	0.1		
of which: contribution from average real interest rate	-4.9	-6.5	3.3	0.5	2.3	3.0	3.0	2.8	2.4	1.2	1.0		
of which: contribution from real GDP growth	-1.1	-1.7	-1.8	-2.7	-3.3	-3.0	-2.8	-2.9	-2.6	-1.3	-0.9		
Contribution from real exchange rate depreciation	0.7	-0.4	1.7	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	4.2	14.9	12.3	3.8	2.9	-0.1	-0.3	-1.1	-2.1	0.5	-0.1	3.9	0.3
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	90.8	85.5	82.0	76.7	71.0	63.8	55.4	28.3	21.4		
PV of public debt-to-revenue and grants ratio	...	...	342.9	325.5	320.8	305.3	286.3	261.6	228.9	122.0	99.6		
Debt service-to-revenue and grants ratio 3/	76.5	76.7	95.4	79.0	95.1	107.5	108.4	108.6	102.4	39.8	30.6		
Gross financing need 4/	13.6	12.8	16.3	13.8	18.3	21.5	20.8	20.0	18.1	5.3	6.5		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	1.1	1.8	2.0	2.8	3.7	3.5	3.5	3.8	3.8	3.9	3.9	-1.0	3.7
Average nominal interest rate on external debt (in percent)	1.7	2.4	3.8	1.7	1.6	1.5	1.5	1.5	1.5	1.6	1.6	2.4	1.5
Average real interest rate on domestic debt (in percent)	-7.7	-9.9	6.7	1.1	4.1	5.6	5.9	6.1	6.0	7.1	7.8	1.8	5.7
Real exchange rate depreciation (in percent, + indicates depreciation)	1.2	-0.7	4.0	...	...	...	...	...	...	...	...	5.3	...
Inflation rate (GDP deflator, in percent)	11.2	15.1	-3.1	3.3	2.1	2.1	2.3	2.6	3.1	3.0	3.1	1.5	2.8
Growth of real primary spending (deflated by GDP deflator, in percent)	-4.1	8.8	-11.5	13.3	5.3	3.4	-1.1	-0.7	1.5	10.7	4.0	-7.4	4.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	1.1	-6.3	-15.5	-1.5	-1.9	0.1	0.1	1.1	2.2	-0.3	0.0	-6.9	0.0
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**





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, 2024–34
(Percent)

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of debt-to GDP ratio											
Baseline	27	24	22	21	19	18	16	15	14	13	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	27	30	**33**	**36**	**39**	**41**	**44**	**46**	**47**	**46**	**46**
B. Bound Tests											
B1. Real GDP growth	27	28	30	27	25	23	22	20	18	17	16
B2. Primary balance	27	25	27	27	26	25	25	25	24	23	23
B3. Exports	27	**46**	**78**	**75**	**71**	**68**	**65**	**61**	**56**	**52**	**47**
B4. Other flows 3/	27	**43**	**59**	**57**	**54**	**52**	**50**	**47**	**43**	**39**	**36**
B5. Depreciation	27	**30**	28	26	24	22	20	19	17	16	15
B6. Combination of B1-B5	27	**48**	**64**	**61**	**58**	**55**	**53**	**49**	**45**	**41**	**38**
C. Tailored Tests											
C1. Combined contingent liabilities	27	26	25	24	23	22	22	21	20	20	19
C2. Natural disaster	27	25	24	23	21	20	19	18	17	17	16
C3. Commodity price	27	**32**	**38**	**37**	**36**	**34**	**33**	**31**	29	27	25
C4. Market Financing	27	24	22	21	19	18	16	15	14	13	12
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	49	47	46	46	44	43	41	40	39	37	36
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	49	57	69	80	90	100	111	121	129	135	139
B. Bound Tests											
B1. Real GDP growth	49	47	46	46	44	43	41	40	39	37	36
B2. Primary balance	49	49	56	59	60	62	64	65	66	68	69
B3. Exports	49	118	**307**	**315**	**318**	**317**	**317**	**312**	**298**	**287**	**275**
B4. Other flows 3/	49	82	122	125	126	126	126	124	118	114	109
B5. Depreciation	49	47	46	45	44	42	41	39	38	37	36
B6. Combination of B1-B5	49	98	101	**158**	**158**	**158**	**157**	**153**	**146**	**141**	135
C. Tailored Tests											
C1. Combined contingent liabilities	49	50	52	53	54	54	55	55	56	57	58
C2. Natural disaster	49	50	51	51	51	50	50	50	49	49	50
C3. Commodity price	49	76	93	95	93	91	88	86	84	81	79
C4. Market Financing	49	47	46	46	44	43	41	40	39	37	36
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**11**	8	5	5	5	4	4	4	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**11**	8	6	6	7	7	7	9	**10**	**12**	**13**
B. Bound Tests											
B1. Real GDP growth	**11**	8	5	5	5	4	4	4	4	4	4
B2. Primary balance	**11**	8	6	5	6	5	5	5	5	5	6
B3. Exports	**11**	**12**	**16**	**18**	**18**	**16**	**15**	**21**	**29**	**28**	**27**
B4. Other flows 3/	**11**	8	6	7	7	6	6	9	**11**	**11**	**11**
B5. Depreciation	**11**	8	5	5	5	4	4	4	4	4	4
B6. Combination of B1-B5	**11**	9	10	10	**10**	9	8	**12**	**14**	**14**	**14**
C. Tailored Tests											
C1. Combined contingent liabilities	**11**	8	5	5	5	4	4	4	4	4	4
C2. Natural disaster	**11**	8	6	5	5	4	4	4	4	4	4
C3. Commodity price	**11**	9	7	7	7	6	5	7	8	8	8
C4. Market Financing	**11**	8	5	5	5	4	4	4	4	4	4
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**24**	**16**	11	9	9	7	6	6	6	6	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**24**	**17**	13	12	13	12	12	**14**	**17**	**18**	**19**
B. Bound Tests											
B1. Real GDP growth	**24**	**18**	**14**	12	12	9	9	9	8	8	7
B2. Primary balance	**24**	**16**	11	10	10	8	8	8	9	8	8
B3. Exports	**24**	**19**	**17**	**18**	**17**	**15**	14	**18**	**24**	**22**	**21**
B4. Other flows 3/	**24**	**16**	13	13	13	11	10	**14**	**18**	**17**	**16**
B5. Depreciation	**24**	**20**	13	12	11	9	8	8	8	7	7
B6. Combination of B1-B5	**24**	**18**	**16**	**16**	**16**	13	12	**17**	**19**	**18**	**17**
C. Tailored Tests											
C1. Combined contingent liabilities	**24**	**16**	11	10	9	8	7	7	7	7	6
C2. Natural disaster	**24**	**16**	11	9	9	7	7	7	7	6	6
C3. Commodity price	**24**	**18**	14	13	13	10	9	11	12	11	11
C4. Market Financing	**24**	**16**	11	9	9	7	6	6	6	6	5
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, 2024–34 1/

(Percent)

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of Debt-to-GDP Ratio											
Baseline	**86**	**82**	**77**	**71**	**64**	**55**	**48**	**42**	**36**	32	28
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**86**	**92**	**96**	**100**	**105**	**109**	**115**	**124**	**131**	**141**	**150**
B. Bound Tests											
B1. Real GDP growth	**86**	**98**	**114**	**114**	**111**	**107**	**104**	**103**	**102**	**103**	**104**
B2. Primary balance	**86**	**98**	**111**	**106**	**99**	**90**	**82**	**76**	**69**	**64**	**61**
B3. Exports	**86**	**96**	**112**	**106**	**98**	**88**	**80**	**72**	**64**	**57**	**51**
B4. Other flows 3/	**86**	**101**	**114**	**107**	**99**	**90**	**81**	**74**	**65**	**58**	**52**
B5. Depreciation	**86**	**84**	**77**	**70**	**62**	**53**	**44**	**38**	31	25	21
B6. Combination of B1-B5	**86**	**92**	**102**	**99**	**94**	**88**	**83**	**79**	**75**	**73**	**71**
C. Tailored Tests											
C1. Combined contingent liabilities	**86**	**104**	**98**	**92**	**85**	**76**	**68**	**62**	**56**	**51**	**48**
C2. Natural disaster	**86**	**93**	**88**	**83**	**76**	**67**	**60**	**54**	**48**	**44**	**41**
C3. Commodity price	**86**	**88**	**91**	**95**	**97**	**96**	**94**	**93**	**92**	**92**	**94**
C4. Market Financing	**86**	**82**	**77**	**71**	**64**	**55**	**48**	**42**	**36**	32	28
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	326	321	305	286	262	229	199	178	153	135	122
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	326	358	379	403	428	447	473	512	545	586	627
B. Bound Tests											
B1. Real GDP growth	326	383	448	453	452	438	429	431	427	433	445
B2. Primary balance	326	384	440	427	405	372	341	320	294	276	262
B3. Exports	326	376	445	426	401	364	332	306	270	243	221
B4. Other flows 3/	326	393	452	433	408	371	338	311	275	248	225
B5. Depreciation	326	331	308	285	256	219	185	159	130	109	91
B6. Combination of B1-B5	326	361	404	398	386	362	343	333	317	310	306
C. Tailored Tests											
C1. Combined contingent liabilities	326	406	391	373	348	315	285	263	238	220	206
C2. Natural disaster	326	365	351	333	310	278	249	228	204	187	175
C3. Commodity price	326	386	406	433	434	418	402	392	388	394	406
C4. Market Financing	326	321	305	286	262	229	199	178	153	135	122
Debt Service-to-Revenue Ratio											
Baseline	79	95	107	108	109	102	89	70	57	46	40
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	79	100	123	134	152	170	183	190	207	226	251
B. Bound Tests											
B1. Real GDP growth	79	109	151	168	186	194	192	182	179	179	184
B2. Primary balance	79	95	146	184	186	180	162	140	125	112	105
B3. Exports	79	95	109	112	112	106	93	76	68	56	50
B4. Other flows 3/	79	95	110	112	113	106	93	77	68	57	50
B5. Depreciation	79	91	103	101	103	96	84	65	54	43	37
B6. Combination of B1-B5	79	97	122	126	135	136	130	117	110	104	103
C. Tailored Tests											
C1. Combined contingent liabilities	79	95	156	153	159	148	133	112	97	85	77
C2. Natural disaster	79	96	132	131	135	127	114	94	81	69	63
C3. Commodity price	79	109	126	131	153	161	162	151	152	153	160
C4. Market Financing	79	95	107	108	109	102	89	70	57	46	40

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Statement by Mr. Regis N'Sonde, Executive Director for the Republic of Congo and Ms. Mwanza Nkusu, Senior Advisor on Republic of Congo

July 10, 2024

INTRODUCTION

On behalf of our Congolese authorities, we would like to thank the Executive Directors, Management, and staff for the Fund's continued support to the Republic of Congo through surveillance, financing, and capacity building. Our authorities value the constructive dialogue held with staff during the discussions for the fifth review under the Extended Credit Facility (ECF) arrangement and for the 2024 Article IV consultation. The authorities broadly concur with the thrust of staff's assessment of performance under the ECF-supported program and the development challenges Congo faces. They appreciate the relevance and acuteness of the policy recommendations from staff.

Despite the difficult external environment and domestic shocks, the authorities have steadily implemented their macroeconomic program and structural reforms agenda, contributing to the economy's resilience. Program performance during the period under review was broadly satisfactory and efforts aimed at preserving macroeconomic stability and deepening structural reforms continue. The implementation of the envisaged reforms, which are guided by the National Development Plan for 2022–26 (PND 2022–26) and aligned with the regional economic and financial reforms program (PREF-CEMAC), should help improve the environment for private sector development, promote economic diversification, and nurture strong inclusive growth.

RECENT DEVELOPMENT AND PROGRAM PERFORMANCE

Recent Economic Developments

While lower than projected, economic growth picked up in 2023, supported by the non-oil sector, while inflation pressures continued. Real GDP growth for 2023 accelerated slightly to 2 percent from 1.8 percent in 2022, compared with 4 percent projected at the time of the fourth review. Growth was driven by strong activity in the non-hydrocarbon sector while oil output fell due to technical difficulties in some maturing oil fields. Year-on-year inflation accelerated to 5.6 percent at end-December 2023, from 3.2 percent a year earlier, fueled by high prices of non-food items.

The fiscal stance was tighter than initially anticipated under the program while the external current account balance was better than projected. Reflecting mostly under-execution of social and capital spending and progress on the subsidy reforms, the non-hydrocarbon primary deficit narrowed to 8.4 percent of non-hydrocarbon GDP, more than 3 percentage points better than expected. In the external sector, at 6.4 percent of GDP, the current account surplus in 2023 was much stronger than projected, owing primarily to a lower imports bill.

The banking sector has remained relatively sound and most financial sector indictors have improved albeit with stagnating credit to the private sector. The aggregate capital adequacy ratio remains significantly above the required minimum of 10.5 percent of risk-weighted assets.

Against this background, asset quality, liquidity, and profitability ratios have been improving since 2019. These aggregate indicators however mask weaknesses in two banks that do not meet certain prudential ratios. The single banking supervisor for the CEMAC countries, COBAC, is committed to reinforcing compliance and expediting the restructuring process, resorting to penalties, and enhancing the monitoring of the two banks. Despite stagnating at 2.5 percent in 2023, growth of credit to the private sector was higher than projected.

Program Performance

Quantitative program performance during the period under review was broadly satisfactory. All end-December 2023 quantitative performance criteria (QPCs) have been met. The QPCs on the basic non-hydrocarbon primary deficit and net domestic financing were met with comfortable margins. However, the continuous QPC on the non-accumulation of external arrears was breached in April–June 2024 owing to weaknesses in the debt management office (Caisse Congolaise d'Amortissement, CCA). The new arrears have nevertheless been cleared, except for a minor portion that the authorities are committed to resolving while avoiding debt service delays in the future and maintaining good faith negotiations with some creditors in resolving legacy arrears. The authorities are requesting a waiver of non-observance of the missed continuous PC based on corrective actions taken, notably the finalization of the reorganization of the CCA. Three out of five end-December Indicative targets (ITs) were met as well. The missed ITs pertain to the social spending and non-hydrocarbon revenue floors, with the latter falling short of the target by a small margin. To address the missed social spending target, the authorities have committed to increase cash transfers to the most vulnerable households through a proposed new SB requiring that, by end-July 2024, at least CFAF 6 billion be disbursed to the national social safety net program— programme national de filets sociaux (PNFS) —supported by the World Bank.

The implementation of certain structural reform measures was delayed, reflecting in part capacity constraints and a lengthening of execution processes. While the structural benchmark (SB) on the publication of a quarterly debt bulletin was met, and progress is made towards the publication of the governance action plan, the SB on operationalizing Congo’s financial information system is proposed to be refined and pushed back to November 2024. The three structural benchmarks (SBs) due in March-April on the enactment of unified VAT legislation, the reorganization of the debt management office, and the publication of conflict-of interest declarations were missed, with the latter two ultimately elevated to prior actions. The unified VAT legislation has not been enacted yet, but a comprehensive stock-taking of the administration of hydrocarbon-related VAT (including exemptions) has been finalized and the draft implementation decree has been prepared. Adoption is pending, subject to validation by all stakeholders.

OUTLOOK AND POLICIES FOR 2024 AND BEYOND

Outlook and Risks

The economic outlook is generally favorable. In 2024, real GDP growth is projected to pick up to 2.8 percent, albeit downwardly revised from 4.4 percent projected at the time of the fourth program review. The revision reflects weaker growth of the hydrocarbon sector associated with technical problems in major oil fields. Inflation is expected to decelerate to 4 percent in 2024, owing in part to a softening of global commodity prices.

Over the medium-term, macroeconomic indicators will continue to strengthen, underpinned by continuing sound economic policies and reforms. Growth is projected to strengthen to an average of 3.7 percent, sustained by stronger activity in the non-oil sector. From 2025 onward, with the expected global disinflation, inflation is projected to decelerate gradually and to stabilize at the CEMAC target of 3 percent. Fiscal consolidation would continue over the medium-term, aiming to reduce the non-hydrocarbon primary deficit in percent of non-hydrocarbon GDP by about 5 percentage points over the period 2025–29 to 4.6 percent. The consolidation effort should facilitate the continued clearance of domestic arrears, and an expansion of targeted social, development, and climate-friendly spending. In the external sector, the current account balance is expected to deteriorate gradually and turn from a surplus of 3.2 percent of GDP in 2024, into a deficit of 0.5 percent GDP in 2028 and further to about 1 percent of GDP by 2029.
This anticipated deterioration is attributable in part to high imports needs of the non-hydrocarbon sector. Notwithstanding the current account deficit, Congo's contribution to the reserves of the regional central bank (BEAC) will continue as external principal debt service subsides.

The authorities concur that the outlook is subject to important downside risks but will pursue their fiscal consolidation and economic diversification efforts to contain them. Downside external risks relate to an escalation of ongoing global and regional conflicts; weaker global growth that could adversely impact inward investment and remittances; and oil price volatility in the context of the global green transition that could significantly subdue oil exports and revenues, thereby weakening external and fiscal balances. Domestic downside risks include adverse climate conditions that could curb agricultural output and deteriorate the humanitarian situation, fuel inflation, and exacerbate food insecurity. Security challenges and failure to advance reforms add to the downside risks and would result in subdued growth and weakening development partners' support. On the upside, faster reform implementation could attract more official and private capital and contribute to higher productivity and economic growth. Production in new oil fields could also contribute to accelerating growth by overcompensating for the declining yield of mature oil fields. Against the balance of risks, the authorities are determined to advancing their fiscal consolidation plan, further strengthening governance, and pursuing economic diversification, which will help rebuild buffers and strengthen the economy's resilience against shocks.

Fiscal Policy and Reforms

The authorities remain committed to fiscal discipline in a growth-friendly fiscal consolidation plan underpinned by decisive revenue and spending measures. Envisaged revenue measures include tighter controls and monitoring of exemptions, notably with the upgrading of customs procedures and implementation of a suitable digital transformation plan; containment of customs exemptions; determined recovery of tax arrears; and the upward adjustment of excise taxes in line with CEMAC guidelines. On expenditure, reform measures include continued gradual phasing out of fuel subsidies accompanied with actions to protect the most vulnerable segments of the population, building on the recent progress; the containment of the wage bill, including by confining the policy of automatic replacement of retirees only to priority sectors and limiting public sector hiring more generally; better control of spending on goods and services; and reforming state-owned enterprises (SOEs) to improve their profitability, reduce budget transfers, and increase these entities contribution to the budget. Implementation of the planned measures should promote fiscal and debt sustainability and help contribute to the buildup of reserves at the regional level.

The authorities' fiscal consolidation efforts will be supported by determined implementation of their fiscal structural reforms agenda. Areas of priority include the strengthening of procurement procedures; improvements in public financial management (PFM); and the effective establishment of the Treasury Single Account (TSA) to promote better monitoring of public revenue, enhance transparency in budget execution, and ameliorate the efficient use of available resources. The architecture of the TSA will be improved, and government's accounts in commercial banks will be gradually closed and the related resources transferred to BEAC once related agreements between the government and the central bank are finalized. Other reforms include better management of public investment through improvements in the selection, quality, and monitoring of investment projects to enhance the efficiency of government capital spending. Envisioned reforms will also comprise the removal of bottlenecks to social spending execution and the implementation of anti-corruption measures which will build on recent institutional reforms on governance and transparency.

Debt Management

The authorities will build on a completed reorganization of the Debt Management Office (CCA) and step up efforts in train to further strengthen debt management. The ongoing implementation of a training program for CCA staff with technical assistance from the Fund and other development partners will contribute to strengthening debt management operations, institutional efficiency, debt monitoring, transparency, control of debt-related risks, and accountability. Improvements in external debt servicing operations will also benefit from enhanced coordination between CCA, the Treasury, and BEAC.

The government has committed to renew its Fund-supported debt management strategy for the period 2022–25 in efforts to advance debt sustainability. The strategy aims to prioritize low-cost debt, contain borrowing risks, and contribute to the development of the national and regional markets for government securities. To minimize borrowing costs and exchange rate risks, the strategy calls for longer-maturity concessional loans denominated in euros.

Structural Reforms

The authorities' economic and financial reforms agenda will continue to be guided by the PND 2022–26, which is in synergy with the regional economic and financial reform program (PREF-CEMAC). The reforms aim to improve living standards and address the needs of a young and fast-growing population through determined efforts to boost the economy's job creation potential. The PREF-CEMAC focuses on seven main pillars : (i) deepening of structural reforms to transform and diversify the economy of the region; (ii) promotion of financial inclusion; (iii) continued support to the regional institutions and reduced dependence of the CEMAC economies on commodities; (iv) improved transparency in public finances and in the oil and gas sectors, including through compliance with requirements under the Extractive Industries Transparency Initiative (EITI); (v) strengthened domestic revenue mobilization; (vi) reinforced governance and fight against corruption; and (vii) reforms that promote private sector development. In several of these areas, the authorities count on Fund capacity development (CD) assistance.

Climate-related Reforms

Addressing climate-related challenges is a key component of the authorities' development agenda. Congo is among the countries most vulnerable to climate change. In recent years, extreme climate events, notably floods, have become increasingly frequent and severe, destroying infrastructure and food crops, undermining economic growth, and exacerbating inequalities and food insecurity. The authorities have been aligning the PND 2022–26 with the country's climate strategy. They will leverage the recommendations from the Fund's Climate Public Investment Management Assessment (C-PIMA) and the World Bank's Country Climate Development Report (CCDR) to identify and prioritize reforms that would best advance the implementation of their climate strategy. Under the current ECF- supported program, the authorities have implemented reforms aimed at integrating climate requirements in the selection of public investment projects.

The authorities and staff are engaged in discussions on potential reform measures to tackle climate change-related risks. These measures, covered in the Selected Issues Paper for the 2024 Article IV Consultation, include adaptation reforms notably aimed at strengthening fiscal buffers to improve disaster response capacities, improving crisis preparedness, and integrating climate change considerations into fiscal planning and PFM. Mitigation-related reforms could focus on developing renewable energy, strengthening the protection of forested areas, and improving forestry management. However, continued fiscal consolidation, critical to advancing debt sustainability, could prevent the early implementation of adaptation measures by limiting the government's capacity to invest in climate change resilient infrastructure.

Reform progress in PFM would likely not free up substantial resources to meet the country's hefty climate finance needs. The Congolese authorities are committed to continue their efforts to preserve the rainforest and promote the efficient exploitation of water resources in the Congo Basin—an important global public good—but implementation of their agenda to address the daunting climate challenges the country faces will require large financial support for partners. In this vein, the authorities have reiterated their interest in requesting support from the Resilience and Sustainability Facility (RSF) in due course. The RSF resources would help sustain the orderly implementation of Congo's strong climate reforms agenda and catalyze further financing from other development partners and private investors.

CONCLUSION

Amidst headwinds from a difficult external environment and domestic challenges, our Congolese authorities have maintained macroeconomic stability and satisfactorily implemented their ECF-supported program. They have taken corrective measures to address missed program targets and remain committed to the objectives of the ECF-supported program going forward. The authorities are also determined to continue steadfastly implementing sound policies and reforms aimed at advancing their development agenda and contributing to regional stability.

Considering their broadly satisfactory program implementation and renewed commitment to the objectives of the ECF-supported program, the authorities are requesting the completion of the fifth review under the ECF and the approval of related decisions. We would appreciate Executive Directors' favorable consideration of their requests.