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

In the context of the Sixth Review Under the Three-Year Arrangement Under the Extended Credit Facility, Request for Waivers of Nonobservance of Performance Criteria, and Financing Assurances Review, 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 March 12, 2025 following discussions that ended on October 18, 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 February 10, 2025.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Staff Supplement** updating information on recent developments.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for the Republic of Congo.

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International Monetary Fund

PRESS RELEASE

PR25/061

Republic of Congo: IMF Executive Board Concludes the Sixth Review of the Extended Credit Facility Arrangement and Approves US$43 million Disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the sixth and final 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 at a moderate pace amid challenging domestic and external conditions, while inflationary pressures have eased. Program performance was mixed in the sixth review, with structural reform implementation experiencing persistent delays.
- Reinvigorated reform implementation to enhance public financial and debt management, governance, and transparency will be critical to creating the fiscal space for development spending and attaining higher, more resilient, and inclusive growth.

Washington, DC – March 12, 2025: The Executive Board of the International Monetary Fund (IMF) today completed the sixth and final 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 324 million (about US$430 million; 200 percent of quota), and thereby concluding the ECF Arrangement. This financing from the IMF will continue to help the authorities implement their development policies, maintain macroeconomic stability, and bolster economic recovery against the backdrop of tighter financial conditions.

Program performance was mixed in the sixth review with lingering delays in the implementation of some structural reforms. The authorities addressed the breach of performance criteria related to external debt service, new external non-concessional debt, and newly contracted debt guaranteed by natural resources. Waivers for non-observance were granted, given the corrective actions taken. These include the full clearance of all newly accumulated external arrears, additional fiscal tightening to improve the treasury's cashflow, and steps to strengthen the timely exchange of information on debt matters. Reform benchmarks on the social safety nets spending and enactment of hydrocarbon-related VAT laws were implemented with delay, while more efforts are needed to ensure the full operationalization of the Public Financial Management Information System (SIGFIP).

Fiscal policy is focused on reducing fragilities while enhancing debt sustainability. Protracted liquidity tensions led the authorities to undertake a domestic debt reprofiling operation aimed at extending the maturities of treasury obligations. Meanwhile, the fiscal deficit shrank more than anticipated in 2024 owing to under-execution of the wage bill, investment, and social spending. The approved 2025 budget seeks to maintain the momentum of fiscal consolidation, while prioritizing critical development and social expenditure. Upgrading domestic resource mobilization, including by advancing energy price reforms and boosting non-hydrocarbon revenue collection, remains crucial to addressing liquidity pressures amid high public debt.

Renewed efforts are needed to sustain the structural reform momentum. Improved management of public finances, supported by the full implementation of SIGFIP, 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 moderate pace. Growth is expected to pick up over the next two years, approaching subsequently a range of 3.4 to 3.8 percent, while easing inflation will gradually return to the region's 3 percent target. The country's current account surplus is projected to continue dwindling, before turning into a deficit, partly reflecting the projected decline in oil prices and growing imports as economic diversification picks up.

Accelerating the implementation of policies and reforms beyond the conclusion of this ECF Arrangement will further help reduce fragilities and place the Republic of Congo on a path of higher, more resilient, and inclusive growth. It will also contribute to regional efforts to preserve external stability for the Central African Economic and Monetary Union (CEMAC).

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

"The Republic of Congo's recovery has firmed up, although at a moderated speed, supported by resilient non-hydrocarbon growth. Nevertheless, downside risks dominate, including from volatile oil prices, the buildup of domestic arrears, challenges to debt and liquidity management, and persistent funding pressures. Social tensions amid recent wage and pension arrears may complicate reform implementation ahead. As continued energy outages drive up production costs and the expiration of the resilience plan implied the removal of tax exemptions, inflation is expected to rebound to almost 4 percent in 2025, before converging back to the regional target of 3 percent. Against the backdrop of global uncertainties and funding challenges, it would be important to sustain efforts to maintain macroeconomic stability and debt sustainability, while pursuing higher, more resilient, and inclusive growth.

"Program performance was mixed. All end-June 2024 quantitative performance criteria were met, but the continuous zero ceiling performance criteria on new external arrears, new external non-concessional debt and newly contracted debt guaranteed by natural resources were breached. 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. Progress in reforming energy subsidies together with enhanced social assistance targeted is also key.

"Strengthened debt and liquidity management is paramount to ensuring debt sustainability, avoiding debt service delays, and improving the effectiveness of public spending. Further enhancing the coordination of government agencies on issues related to debt management and increasing transparency on public debt remain essential.

"Much-needed economic diversification, founded in private investment, will hinge on effective and sustained implementation of structural and governance reforms. 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. Boosting financial inclusion and stepping up state-owned enterprise reforms, and adapting to risks emanating from climate change will, over the medium term, support inclusive and resilient growth."

INTERNATIONAL MONETARY FUND

REPUBLIC OF CONGO

February 10, 2025

SIXTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. The fifth review of a three-year Extended Credit Facility (ECF) arrangement (SDR 324 million, 200 percent of quota) was concluded on July 10, 2024. Resilient activity in the non-hydrocarbon sector supported economic growth in 2024, while oil production continued to surprise on the downside. Inflationary pressures abated in 2024 on the back of moderating import costs, but the current account weakened driven by softening terms of trade, especially in the hydrocarbon sector. Meanwhile, low execution of capital and social spending and stronger-than-expected tax and hydrocarbon revenues improved the non-hydrocarbon primary deficit in the first half of 2024 by 2.4 percent of non-hydrocarbon GDP compared to the fifth ECF review (CR 24/251), with the annual projection set at 9 percent of non-hydrocarbon GDP. However, liquidity pressures heightened in 2024, and this, combined with expected large repayments of domestic debt falling due in 2025–26, prompted the authorities to initiate in October 2024 a domestic debt reprofiling operation, partially postponing the amortization of government treasuries beyond 2029. Public debt continued to be assessed as sustainable but "in distress" due to recurrent instances of new external arrears, which are expected to be cleared before the board date, and uncertainty about the timeline to resolve domestic arrears.

Outlook and risks. Risks are titled to the downside. Oil price decline and intensification of regional conflicts could strain fiscal and external balances and disrupt economic growth. Lower absorption capacity and potentially waning appetite of domestic and regional lenders could aggravate funding challenges. Slow momentum in the implementation of structural reforms could weigh on inclusive and sustainable growth over the medium term.

Program performance was mixed in the sixth review. All end-June 2024 quantitative program performance criteria (PC) were met, but the continuous zero ceiling on new external arrears were breached during July-December 2024. A waiver of non-observance is requested based on the authorities' plan to fully repay all arrears newly accumulated during July 2024-January 2025 and the improved Treasury cashflow resulting from the fiscal tightening. Three indicative targets (ITs) on the social spending floor, clearance of domestic arrears, and ceiling on new concessional loans were also missed at end-June 2024. Implementation of structural reforms suffered from delays. The structural benchmarks (SBs) on the social safety nets spending and enactment of hydrocarbon-related VAT tax laws were missed but implemented with delay, while the SB on the full operationalization of SIGFIP was unmet.

Program strategy. As the three-year ECF arrangement draws to a close, fiscal prudence is warranted to alleviate ongoing funding pressures and preserve the macroeconomic stabilization gains achieved by the growth-friendly consolidation supported by the ECF. Stronger reform momentum on phasing out energy subsidies, boosting non-hydrocarbon revenues, while scaling up targeted social protection for the most vulnerable households, should support a more sustainable and inclusive economic growth. Structural reforms should continue to enhance the medium-term fiscal framework, strengthen debt management practices, diversify the economy, and improve governance.

Approved By
Vitaliy Kramarenko (AFR) and Niamh Sheridan, (SPR)

Discussions on the review for an ECF-supported program were held in Brazzaville, Republic of Congo, during October 7–18, 2024. The staff team comprised Mr. Kpodar (head), Ms. El Idrissi, Mr. Hespeler, Mr. Okou (all AFR), Ms. Azizirad (SPR), Mr. Million (Resident Representative), Ms. Zarazinski (LEG), and Mr. Nsongui Tonadio (local economist). Ms. Nkusu (Senior Advisor to the Executive Director) joined part of the mission. Ms. Joseph and Mr. Masterson assisted in preparing the staff report. The mission held discussions with the Hon. Mr. Makosso Prime Minister, Hon. Mr. Yoka Minister of Finance and Budget, Hon. Mr. Ondaye Former Minister of Finance and Economy, Hon. Mr. Ngatsé Former Minister of Budget, Hon. Mr. Itoua, Minister of Hydrocarbons, Hon. Mr. Mavoungou, President of the Economic, Finance and Budget Execution Control Commission of the National Assembly and other senior officials. The mission met with representatives of the private sector, civil society, and development partners.

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CONTEXT

1. **Prioritizing economic diversification and structural reforms could provide the bedrock for sustainable and inclusive growth, with a view to tackling Congo's long-standing economic, social, and institutional vulnerabilities.** An acceleration of Congo's structural reform agenda combined with economic diversification is needed to support resilient, sustainable, and inclusive economic growth. This entails a structural shift away from the hydrocarbon sector towards broad-based economic activities in agribusiness, manufacturing, and tourism, while promoting fair competition, enhancing governance, and cutting red tape to stimulate a business-friendly environment and job creation. Policy reforms fostering social development and inclusion, underpinned by adequate execution of critical social and capital spending, are required to address high poverty, engrained youth unemployment, and elevated income inequality. Recent social unrests, reflecting deep-rooted socio-economic fragilities worsened by current fiscal tensions, can complicate reform implementation.

2. **Heightened debt vulnerabilities should be decisively tackled to gradually rebuild fiscal space, while protecting growth-friendly public spending.** While progress has been achieved in the recent years, public debt remains elevated at 99 percent of GDP at end-2023, thus calling for continued fiscal consolidation until debt vulnerabilities subside. Enhancing non-oil revenue mobilization in a context of volatile and weakening oil revenue, while rationalizing energy subsidies and other non-priority spending are key to this endeavor. Meanwhile, efforts to enhance public debt management, fiscal transparency, and public finance management, would help accelerate and lock in the fiscal consolidation gains achieved. The resulting fiscal space should support the priorities unveiled in the 2022–2026 National Development Plan, including to invest in critical infrastructure, human capital, and innovation, thereby fostering sustainable and inclusive growth.

3. **The concluding three-year ECF arrangement supported ambitious reforms, but more needs to be done.** Congo initiated a reform package that delivered a sizeable fiscal consolidation, enabling the countries to achieve a significant reduction in external debt (Annex I). Fiscal consolidation was underpinned by domestic resource mobilization measures, including the reorganization and digitalization of tax collection systems and removal of pandemic-era tax exemptions, and public expenditure rationalization, notably a gradual removal of fuel subsidies to alleviate market pricing distortions, ease fiscal burden, and improve public financial management (PFM). Moreover, most of the structural benchmarks under the ECF arrangement were implemented, even if almost half the implemented benchmarks experienced some delay. However, the materialization of domestic arrears led to setbacks to domestic debt dynamics, culminating to the ongoing challenges the authorities are facing in servicing their debt. Further, more progress is needed to fully remove inefficient tax exemptions, adhere to best budgetary practices, restore fiscal transparency, scale up social spending, tackle corruption, and enhance SOEs' governance to mitigate contingent liabilities. Rising liquidity pressures for the treasury urgently call for determined policy actions to ensure timely cash-flow management and a clear path to amortize the elevated domestic debt stock.

RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, AND RISKS

4. **Congo's economic growth firmed up, driven by resilient activity in the non-hydrocarbon sector.** Economic growth is expected to soften to 2.6 percent in 2024, as sustained growth momentum in the non-hydrocarbon sector (3.1 percent) outpaced subdued hydrocarbon growth (0.8 percent) (Fig. 2.1). Resilient private consumption and investment boosted activity in forestry, manufacturing, and telecommunications, and supported non-hydrocarbon economic growth. In the hydrocarbon sector, lingering operational issues continue to weigh on oil production.

5. **Inflationary pressures are easing.** Year-on-year inflation declined from 5.6 percent in December 2023 to 2.1 percent in October 2024, with import costs and the pass-through of the 2023 fuel price reform moderating. Inflation is, however, projected to rebound to 3.9 percent by December 2024, as energy outages drive up production costs and the removal of tax exemptions under the resilience plan takes effect.

6. **Fiscal consolidation has been more pronounced than expected, driven mostly by an under-execution of the capital budget.** The non-hydrocarbon primary deficit for the first half of 2024 stood at CFAF 277 billion (Text Table 1), about 2.4 percent of non-hydrocarbon GDP lower than projected in the fifth ECF review (CR 24/251). Low execution of capital spending, the wage bill, budget annexes and special accounts, reflecting spending prioritization, coupled with impediments to social expenditure execution, are the main contributing factors to the lower primary deficit. However, some overrun on goods and services, energy subsidies, other transfers, and common charges partly offset these savings. Similarly, a higher interest bill essentially offset the overperformance of non-hydrocarbon revenues, hence the overall fiscal balance benefited mainly from higher-than-expected hydrocarbon revenues and primary expenditure cuts. Despite the improved revenue collection, and lower overall spending, funding stress started to emerge as large domestic debt payments became due, banks' appetite for treasury auctions waned and two missed payments on domestic debt amortization occurred during August-September 2024. With the bulk of government securities maturing in 2025–26, the authorities conducted during October-November 2024 a voluntary reprofiling of outstanding

Text Table 1: Republic of Congo: Budget Execution, end-June 2024
(CFAF billion)

	CR 24/251	H1 2024	Difference
Total revenue and grants	**1037**	**1075**	**38**
Hydrocarbon revenue	554	579	25
Non-hyrocarbon revenue	462	481	19
Direct taxes	204	234	29
Taxes on goods and services	160	159	-1
Customs Receipts	77	76	-1
Non-tax revenue	21	12	-8
Grants	21	14	-6
Expenditure	**1081**	**944**	**-137**
Current expenditure	803	832	29
Wages	209	193	-16
Other primary current expenditure	441	468	27
Goods and services	96	130	34
Transfers	284	289	5
Social transfers	144	116	-28
Oil-related transfers	32	43	11
Other Transfers	108	130	22
Common charges	34	45	11
Annex budgets and special accounts	27	4	-23
Interests paid	153	172	19
Capital expenditure	278	112	-166
Non-hydrocarbon primary balance	**-445**	**-277**	**168**
Overall balance, cash basis	**-44**	**131**	**174**

Sources: Congolese authorities; and IMF staff calculations.

treasuries, the *Programme National d'Optimisation de la Trésorerie* (PNOT), designed to smooth out recurrent rollover needs, thus alleviating liquidity risks in the medium-term (¶21, Annex II).

7. Congo's external position weakened, largely reflecting lower oil prices and higher imports in the oil sector. Weaker global oil prices, lower hydrocarbon exports, and increased oil sector imports have reduced the current account surplus to 6.5 percent of GDP in 2023, down from 17.7 percent in 2022. The same forces will continue to weigh on Congo's external position in 2024, further compressing the current account surplus to 1.3 percent of GDP. The central bank's net foreign assets are expected to remain in 2024 at levels below those recorded in 2022, reflecting softer oil exports revenues and delayed disbursements from the IMF and the WB.

8. Despite adequate prudential indicators, vulnerabilities persist in the financial system, with additional financial risks emerging from the recent debt reprofiling operation. The average capital adequacy ratio declined to 17.4 percent by end-2023, still well above the regulatory minimum of 10.5 percent. The nonperforming loans (NPLs) ratio remained elevated at 15.2 percent, with an additional increase expected for the first half of 2024, while provisioning increased. Banks' profitability and liquidity improved on average, while the restructuring of two weak banks has been delayed.[1] Meanwhile, high treasury issuance drove banks' sovereign exposure from 14 percent in 2019 to 28 percent of total assets in 2023, thus intensifying the sovereign-bank nexus. Congo's recent debt reprofiling operation may have added further to macro-financial risks (¶21, Annex II), with banks with higher sovereign exposure facing opportunity costs and longer maturities.[2]

9. The outlook is predicated on continued growth-friendly consolidation to ease liquidity pressures and rebuild fiscal space, in conjunction with structural and governance reforms to foster economic diversification and spur resilient and inclusive growth.

- While economic momentum is expected to continue over the medium term, growth is projected at 2.6 percent in 2024—0.2 ppt lower than projected at the 5th ECF review (CR 24/251)—and 3.7 percent in 2025. Activity in the hydrocarbon sector will pick up in the near term, with hydrocarbon growth reaching 3.6 percent in 2025 as technical issues abate, before slowing down from 2026 onwards due to aging oil fields. The nascent natural gas production is set to expand and partly offset the gradual decline in oil production, thereby reinvigorating the hydrocarbon sector. Outside of the hydrocarbon industry, economic growth is projected to reach an average of 4.3 percent in 2025–2029, predicated on improvements in the business environment and further broadening of Congo's agricultural base, expansion of the manufacturing sector—namely, chemical and food processing industries, and a deepening of the service sector—in particular financials, commerce, telecommunications, and tourism. A more

[1] The two banks—one state-owned and one private—held 14 percent of Congo's banking sector assets at end-2023.

[2] Bank's balance sheets, i.e., their book values, and their financial soundness indicators (FSI) are expected to be affected only marginally, as the current accounting rules in CEMAC allow fair valuation only for securities held less than 6 months, i.e., for transactions purposes. Their relevant discount rates are also expected to align with their cost of capital.

diversified economy is expected to create more jobs, particularly to address the high youth unemployment, recognized by the authorities as a national priority.

- Non-hydrocarbon revenue mobilization efforts, predicated on the removal of tax exemptions and tax administration reforms, together with curbing goods and service spending and energy subsidies, should support medium-term fiscal consolidation, thus enabling the non-hydrocarbon primary deficit to shrink to 3.7 percent of non-hydrocarbon GDP by 2029 from 9 percent in 2024. This, combined with significant oil revenues should support a downward trajectory of the public debt level, projected to fall to 63.3 percent of GDP by 2029.
- Barring major external price shocks, inflation would gradually return to the 3 percent regional target, while the current account will turn into a deficit in medium-term due the decline in oil production and uncertainties around prospects for LNG exports.

10. The balance of risks remains predominantly skewed to the downside (Annex III), including: i) the intensification of regional conflicts and a decline in oil prices, both of which could significantly disrupt economic growth and strain fiscal and external balances; ii) the recurrent buildup of domestic arrears, which undermines debt reduction efforts; iii) debt and liquidity management challenges, and continued funding pressures, particularly if compounded by reduced absorption capacity or appetite for government debt within the regional banking system; iv) social pressures exacerbated by wage and pension arrears, and in the wake of the upcoming elections, complicating the implementation of critical reforms, including the gradual phasing-out of fuel subsidies; and v) recurring climate related shocks, alongside delays in adaptation strategies, undermining economic resilience and fiscal stability.

PROGRAM PERFORMANCE

11. Quantitative program performance was mixed. All five quantitative program criteria (PC) were met at end-June 2024, but the continuous PC on external arrears was breached starting from July 2024. The basic non-hydrocarbon primary deficit is estimated at CFAF 206 billion at end-June 2024, well below the adjusted program target of CFAF 323 billion. The adjusted net domestic financing target was also met, owing to the tighter fiscal stance and challenges in issuing treasuries on the regional market. With no new non-concessional and new collateralized external debt, the respective PCs have been met. Standard continuous performance criteria related to Article VIII of the Fund's Articles of Agreement (Technical Memorandum of Understanding ¶5) were all met as well. Nevertheless, delayed payments on external debt services (CFAF 68.5 billion accumulated, of which CFAF 57.4 billion have been cleared as of end-January 2025), led to the breach of the zero target for the continuous PC on external arrears. A waiver of non-observance is requested based on the authorities' plan to fully repay all arrears newly accumulated during July 2024-January 2025 and the improved cashflow of the treasury resulting from the fiscal tightening (¶14-15). In detail, to further enhance cash-flow management and debt servicing, the authorities started to implement measures to (i) eliminate tax exemptions, particularly the exceptional ones; (ii) accelerate the digitalization of tax declarations, tax collection, and the interconnexion between various fiscal administrations to reduce revenue leakages; and (iii) enforce stricter controls on budget commitments and spending prioritization.

12. The indicative targets (ITs) on social spending, the repayment of domestic arrears and the limit of new concessional loans have not been met. The social spending target and the target for the repayment of domestic arrears were missed at end-June 2024 narrowly by CFAF 10 billion and 6 billion respectively. The maximum target in newly contracted concessional external loans accumulated since the start of the arrangement was exceeded by CFAF 48 billion, potentially reflecting on authorities' attempts to alleviate funding stress. On the other hand, the floor on non-hydrocarbon revenues was met as the authorities stepped up revenue collection efforts, so was the ceiling on disbursements of external loans for investment projects due to delays in capital budget execution.

13. The implementation of structural reforms experienced further delays, as all structural benchmarks (SBs) due were missed. The authorities missed the end-July 2024 SB on the provisioning of at least CFAF 6 billion to the social transfer program *Programme National de Filets Sociaux* (PNFS), as the funding target was only met in August 2024 (Table 13), while distribution of the cash transfers has been delayed due to technical challenges in the identification of the beneficiaries. The enactment of hydrocarbon-related VAT tax laws has been delayed beyond the end-September target date and has been implemented by mid-October 2024. Despite significant progress made on the finalization of the accrual accounting and program budgeting modules for the Expenditure Tracking Software (SIGFIP), the corresponding SB was not met. The authorities are deploying additional technical resources to operationalize the accrual revenue accounting module and the annual performance report template with a view to achieve a full implementation of the actions planned in this SB (MEFP ¶31).

POLICY DISCUSSIONS

Discussions focused on (i) steps needed to accelerate fiscal consolidation in the near term, including a 2025 budget in line with program parameters, aiming at curbing funding pressures and rebuilding fiscal space; (ii) the potential risks associated with the authorities' domestic debt reprofiling operation; and (iii) additional progress needed on public finance and debt management reforms to strengthen Congo's fiscal outlook. Maintaining fiscal discipline and bolstering reform momentum, including on governance and climate resilience, are critical for safeguarding macroeconomic stability and facilitating the exit from fragility.

A. Fiscal Policy

14. Near-term fiscal consolidation is key for easing funding pressures and supporting stronger, more resilient, and inclusive growth. In the face of challenging funding needs, the authorities agreed that additional fiscal adjustment is needed in 2024, bringing the non-hydrocarbon primary deficit to 9 percent of non-hydrocarbon GDP, 1.1 ppt lower than projected in CR 24/251 (Text Table 2). Achieving this target crucially hinges on the authorities' commitment to pursue domestic revenue mobilization measures, by sustaining the momentum observed in H1 2024 and subsequently in Q3 2024, which should result in an overperformance of non-hydrocarbon revenues by 0.5 ppt—predominantly driven by higher-than-expected direct tax revenues, more than offsetting the shortfall in customs revenue. On the expenditure side, measures include delayed integration of the newly recruited public servants to contain the public sector wage bill, careful prioritization of capital projects by limiting exceptional procedures, containing slippages on goods and services spending, including through limiting official travel, while preserving the social transfer's budget.

15. The authorities shared the view that fiscal consolidation should continue in 2025 at a faster pace than initially envisaged, with a non-oil primary balance target of -7.6 percent of non-hydrocarbon GDP, a tightening by 2.1 percentage points of non-hydrocarbon GDP relative to the program target in CR 24/251 (Text Table 2). The submission to parliament of a 2025 budget law consistent with this target (prior action), and its approval, reinforce the authorities' commitment to fiscal prudence aiming to safeguard debt sustainability, a key objective of the Fund-supported program.

- Enhanced tax efforts will boost non-hydrocarbon revenue by 0.6 percentage points of non-hydrocarbon GDP compared to 2024 on account of: (i) the repeal of the resilience plan by a government decree issued in October 2024, ending a large array of customs duty and tax exemptions introduced since the Covid pandemic; (ii) an increase in excise tax rates, effectively bringing Congo in compliance with CEMAC guidelines; and (iii) and tax administration efforts, supported by the implementation of digital taxation and invoicing. Ongoing reforms to broaden the VAT base in the upstream hydrocarbon sector (supported by the World Bank), and to operationalize the collection of property tax, are upside risks if fully implemented in 2025 as envisaged.

- On the expenditure side, rationalizing the 2025 wage bill by restricting new hiring to priority sectors (education, health, and other social sectors), and the expected retirement of public servants, could save 0.4 percentage points of non-hydrocarbon GDP to the budget. Functional reviews, a tool for enhancing the efficiency of organizations, could help preserving these fiscal gains during subsequent years. The transfer budget would also contribute to the adjustment efforts as electricity subsidies decline,[3] while the funding needed for the one-off election spending will offset the consolidation gains of the rationalized wage bill.[4] The capital budget will be lower than projected in CR 24/251, but slightly higher than the projected realization in 2024, consistent with the authorities' objective to prioritize projects with the highest return and

[3] In June 2024, the World Bank approved a US$ 100 million project loan that aims at improving the quality and access of electricity services and strengthen the performance of the transmission and distribution networks. The introduction of smart matters and the concession of the electricity distribution to a private company will increase revenue collection, thus requiring lower government subsidies to the state-owned electricity production company. Under the current Development Policy Financing (DPF) operation, the government has already adopted in October 2023 a decree opening the management of the public electricity distribution and marketing service to a concession. The selection of the private electricity management entity through a competitive bidding process is expected be finalized in Q1 2025.

[4] Budgeted election spending amount to 0.4 percent of non-hydrocarbon GDP.

likelihood to be completed given existing funding constraints. Nevertheless, higher domestic financing cost will continue to weigh on the budget.

- Further, the authorities committed to the implementation of several recommendations of an IMF technical assistance on fuel pricing, of which the liberalization of the international jet and bunker fuel market, a 30 percent increase in the regulated domestic jet fuel price, the strict enforcement of VAT and customs duty payment on imported fuels and the direct collection of fuel taxes by responsible authorities[5], are to be effective in 2025. Additional reforms need to be swiftly implemented, including (i) a revamping of the fuel price formula to apply the VAT to the pump price rather than its components, and to show transparently the subsidy element; (ii) the removal of the de facto monopoly of the state-owned oil company SNPC on fuel imports, and the implementation of competitive biddings. These reforms will help prepare the ground for a gradual elimination of remaining fuel subsidies, followed by the rollout of an automatic pricing mechanism.

Text Table 2: Republic of Congo: Budget 2024–25
(Percent of non-hydrocarbon GDP)

	2024			2025		
	CR 24/251	Proj.	Difference Proj. - CR 24/251	CR 24/251	Proj.	Difference Proj. - CR 24/251
Total revenue and grants	**33.8**	**32.6**	**-1.2**	**32.3**	**32.7**	**0.3**
Hydrocarbon revenue	19.1	17.4	-1.7	17.2	16.7	-0.5
Non-hyrocarbon revenue	13.9	14.4	0.5	14.1	15.0	0.8
Direct taxes	5.9	6.4	0.5	5.7	6.3	0.6
Taxes on goods and services	4.6	4.9	0.2	5.2	5.6	0.4
Customs Receipts	2.4	2.2	-0.2	2.5	2.4	-0.1
Non-tax revenue	1.0	0.9	-0.1	0.8	0.7	-0.1
Grants	0.8	0.8	0.0	1.0	1.0	0.0
Expenditure	**28.9**	**29.3**	**0.4**	**28.5**	**28.0**	**-0.6**
Current expenditure	22.5	24.0	1.5	21.8	22.4	0.7
Wages	6.1	6.1	-0.1	6.1	5.7	-0.4
Other primary current expenditure	11.6	12.2	0.6	11.2	11.7	0.5
Goods and services	2.7	2.8	0.1	2.8	2.8	-0.1
Transfers	8.0	8.3	0.3	7.5	7.8	0.4
Social transfers	3.4	3.5	0.0	3.0	3.1	0.0
Oil-related transfers	0.7	1.1	0.4	0.8	0.6	-0.1
Other Transfers	3.9	3.8	-0.1	3.7	4.1	0.5
Common charges	0.9	1.1	0.2	0.9	1.1	0.2
Annex budgets and special accounts	0.7	0.7	-0.1	0.7	0.6	-0.1
Interests paid	4.1	5.1	1.0	3.7	4.4	0.6
Capital expenditure	6.4	5.3	-1.1	6.8	5.5	-1.2
Non-hydrocarbon primary balance	**-10.1**	**-9.0**	**1.1**	**-9.7**	**-7.6**	**2.1**

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

16. **Budget implementation should prioritize the timely execution of social and investment expenditures.** The execution rate for social spending reached at end-June 2024 only 27 percent of the 2024 budget plan.[6] In particular, the disbursement of funds allocated under the

[5] This would require a transparent recording of fuel imports in the customs administration system. In October 2024, the government adopted a decree replacing the 2005 framework, defining the classification and pricing of petroleum products. This decree introduces VAT on distribution entry prices and confirms customs duties on imported quantities (MEFP, ¶9).

[6] As of end-September 2024, preliminary data indicate a persistently low execution rate of 39.5 percent.

Programme National de Filets Sociaux (PNFS) has experienced delays (SB end-July 2024, Table 13), slowing the execution of cash transfers. Funding pressures were the main reason for low budget execution, but operational challenges with budget execution in line ministries and administrative bodies contributed as well. Continued unaddressed under-execution of social and capital spending could undermine the social acceptability of the ongoing fuel subsidy reform and impinge over the medium term on Congo's growth potential. Disbursement of transfers within cash transfer programs could be scaled up through the operationalization of the Single Social Register.

17. Against the backdrop of intensifying liquidity tensions that led to two payments incidents on domestic debt amortization in Q3 2024, the authorities initiated a domestic debt reprofiling operation in October 2024 (¶21). Although the tighter fiscal stance should contribute to alleviate liquidity pressures in 2024–25, substantial risks remain considering the elevated domestic debt service, the limited absorption capacity of the regional market, and rapidly depleting government deposits. While the debt reprofiling operation has shifted repayment pressures from Treasury bills from 2024 to 2025, the authorities concurred with staff that additional consolidation efforts would be needed, should current efforts be insufficient to ward off liquidity pressures. A Debt Sustainability Analysis, incorporating the debt reprofiling operation, indicates that debt continues to be "sustainable", though it is classified as "in distress" due to recurrent instances of temporary accumulation of new external arrears and uncertainty about the magnitude of valid domestic arrears.

18. Advancing fiscal structural reforms is critical to ensure a successful medium-term fiscal adjustment. The enactment of the hydrocarbon-related VAT laws eliminating VAT exemptions (missed SB for end-September 2024, implemented with delay), the resolution of tax arrears, the end of the resilience plan along with the authorities' commitment to streamlining all remaining tax exemptions, should help shore up Congo's tax revenues over the medium term, and promote a more efficient and fair tax system (MEFP ¶6). The full operationalization of the planned one-step window for customs by end-of 2024, supported by the WB, and—building on IMF technical assistance (TA)—a general ramp-up of the custom administration's information and communication technology (ICT) systems by mid-2025 would further advance revenue generation.[7] Continued reforms of state-owned enterprises (SOE), particularly those of the energy sector, will allow to reduce transfers, thereby preserving respective funds for more efficient fiscal use. Modernizing public financial management requires a robust expenditure control system, including to enable fiscal planning within a medium-term framework and the rationalization of non-priority expenditure (¶20).

B. Public Investment and Debt Management

19. Uncertainties about the size of domestic arrears urgently call for decisive progress in debt management reforms. The stock of domestic arrears is projected at CFAF 1,570 billion (17 percent of GDP) in 2024, of which CFAF 116 billion (7.2 percent) has yet to be fully audited. Persistent uncertainties around the size of social and other domestic arrears continue to hinder the

[7] Recent technical assistance recommendations of the IMF also present measures on how Congo can realize its revenue potential, including concrete proposals for a more effective organization of the revenue administration.

effective implementation of Congo's public debt reduction strategy. The repayment of domestic arrears will likely fall to CFAF 164 billion, down from CFAF 450 billion in 2023, but could recover in the outer years as the authorities dedicate the fiscal space from the debt reprofiling plan to accelerate the implementation of the comprehensive arrears' clearance plan adopted in 2023 (MEFP ¶11). On the external front, unabating technical and coordination issues, compounded by liquidity pressures, have led to instances of temporary external arrears. This underscores the urgency for the newly reorganized debt management office (CCA) to fully adhere to the revamped procedural rules and regulatory settings, including clear debt amortization and issuance plans, aiming to ensure timely debt service. Additional efforts are needed to increase Congo's debt transparency. These involve finalizing the ongoing audits of social and other domestic arrears, strengthening the coordination between CCA, the Treasury, and BEAC, fully operationalizing the country's single debt database, and closely monitoring contingent liabilities related to the debt of SOEs.

20. Maintaining the momentum of PFM reforms is critical to alleviate liquidity tensions and budget risks. The accumulation of domestic arrears and instances of missed and/or delayed external debt service are attributable to gaps in cash-flow management. While the recent signing of the agreement between Congo and BEAC is a key step forward towards the full operationalization of the Treasury Single Account, more needs to be done to rationalize revenue earmarking through escrow accounts. The operationalization of the financial management information system SIGFIP (missed SB end-November 2024) would add to this effort. Building on significant progress that has been already achieved with the support of technical assistance from the IMF, the World Bank and France, the authorities remain committed to complete the actions stipulated by this SB by end-April 2025, with a view to facilitate the rollout of program budgeting to all line ministries, following the pilot phase starting with the 2024 budget. Continued reform efforts targeted at improving public investment management could support the reacceleration of efficient public investments, enhancing their growth impact and complement past actions such as the 2022 public-private partnership law.

21. Although the recent domestic debt reprofiling operation could provide some breathing space on debt obligations falling due in the medium term, potential fiscal risks in the near term and macro-financial risks warrant close monitoring (Annex II). With the main objective of addressing the peak in domestic debt service payments due in 2025–26, the PNOT launched in October 2024, sought a voluntary exchange CFAF 2,314 billion (US$ 3.8 billion; 43 percent of total local currency debt; 26 percent of GDP) of Congo's outstanding domestic debt obligations for new debt instruments with longer maturities, while maintaining the same face value and coupon rate. The authorities decided to conclude the operation after exchanging CFAF 1,136 billion worth of securities (including CFAF 191 billion in Treasury bills and CFAF 945 billion in Treasury bonds) as of end-November 2024.[8] The 3 percent exchange commission fee, the zero-risk weights assigned by COBAC, and concerns about the opportunity costs of delayed or missed debt service payments incentivized Treasury holders (mainly banks) to participate in the operation. Staff assessment suggests that while the operation enabled a maturity

[8] The authorities announced CFAF 1,236 billion worth of securities under the first phase of the PNOT, out of which, CFAF 914.7 billion have been exchanged and approved by the regulator and CFAF 222 billion have been exchanged but are yet to be approved, while CFAF 99.4 billion will not be executed.

extension of the exchanged securities by an average of 3.9 years, the issuance of new Treasury bills of CFAF 250 billion (including to cover exchange fees) to become due in 2025 more than offset the deferred amortization, implying that liquidity pressures could persist in 2025, if committed fiscal adjustment falls short of target. The operation also raises concerns about: (i) the implications for the interest bill (an additional 3 percent of 2024 GDP cumulatively over 2025–34, excluding any increase in the risk premium); (ii) a potential 5.6 percent opportunity cost in NPV terms incurred by creditors (mainly banks) on their government debt holdings (albeit mitigated by the 3 percent exchange commission fee, amounting to CFAF 34 billion), even though the current accounting rules in CEMAC allow fair valuation only for securities held less than 6 months; (iii) the prolonged exposure of banks to sovereign risks, exacerbating the sovereign-bank nexus and implying potential adverse implications for private sector credit, as well as the authorities' plan to issue longer-maturity bonds as laid out in their medium-term debt strategy; (iv) heightened liquidity risks for banks, particularly those facing maturity mismatch and relying heavily on central bank refinancing; and (v) potential negative spillovers to countries in the region seeking to tap the regional market for budget financing. The authorities share staff's view that maintaining fiscal consolidation on track is instrumental to shore up debt sustainability, assuage liquidity pressures and promote a healthy financial system.

C. Governance, Anti-corruption, and Transparency Reforms

22. Effective and sustained implementation of governance and anti-corruption reforms remains essential for inclusive economic growth. Since the 2018 governance diagnostic assessment, the authorities have adopted key governance reforms, including: (i) the operationalization of the High Authority for Anti-Corruption Activities (HALC) and the development of the anti-corruption national strategy; (ii) the creation of a consolidated land registration desk in 2022 and the redesign of the corporate registry; (iii) the publication of relevant laws and recruitment of additional magistrates for lower-level courts; (iv) the law strengthening the institutional autonomy of the Court of Accounts (CCBD); and (v) the publication of a government action plan in 2024 (available here) outlining priorities for governance reforms. The actions articulated in the plan aim to enhance transparency of SOEs and natural resources management, foster more effective investigation and adjudication of corruption crimes, and promote a more conducive civic space. These should be reflected in the national anti-corruption strategy currently being developed. The recent publication of conflict-of-interest declarations of senior officials (available here) marked a milestone towards more transparency and accountability in the country. It remains critical, however, to ensure all the conflict-of-interest declarations received by the HALC are published, particularly those of Cabinet members. To align with international standards, the asset declaration law should eliminate the confidential nature of asset declarations by mandating their publication for senior officials and enabling accountability institutions like the Transparency Commission (CNTR) and the National Financial Investigation Agency (ANIF) to access and verify them as needed. It should also require declarations to be updated annually and upon any significant change in assets and liabilities. Moreover, the conflict-of-interest and asset declaration systems should be consolidated into a single, comprehensive, and accessible system administered by the HALC. While progress has been made, it remains important to continue strengthening key anti-corruption and accountability and financial integrity institutions (e.g., the CCBD, the HALC, the CNTR, the ANIF, and the Judiciary) while ensuring effective implementation of recent anti-corruption reforms to foster the rule of law and transparency in the management of natural resources, as recurrently recommended by the Extractive Industries Transparency Initiative (EITI).

D. Climate Change

23. The attenuation of Congo's vulnerability to climate change and associated fiscal costs requires suitable mitigation and adaptation strategies (see CR 24/251). To address the immediate challenges of climate change, Congo should continue integrating climate change considerations into fiscal planning and PFM, invest in climate resilience, and develop human capital, alongside strengthening its fiscal buffers. The authorities are already exploiting opportunities to further strengthen risk monitoring and crisis preparedness. Initiatives such as the valorization of gas and improved forest management, including a more transparent concession management, have already started to benefit Congo's greenhouse gas footprint and its economic growth. Suggested areas for additional progress include the integration of renewables into the energy master plan and intensified forest protection through support for reduced impact logging and alternatives to slash and burn activities. Climate informed construction codes would provide an avenue to promote urban resilience. Well-funded social safety nets, comprehensive emergency response strategies, and targeted educational programs can serve as a first line of protection for human capital. Climate-finance related measures appear currently premature, given Congo's elevated public debt and the limited depth of local financial markets.

PROGRAM MODALITIES AND OTHER ISSUES

24. Program financing. The program is fully financed, with the last disbursement expected by end-February 2025. The 2024 budget support disbursed by France, and good financing prospects from the World Bank's DPF in 2025 (delayed from 2024) should complement the Fund-supported financing under the ECF arrangement to help meet Congo's significant net financing needs through December 2025 (Text Table 3). Such support is critical for implementing growth-friendly fiscal reforms and rebuilding internal and external buffers, including the accumulation reserves that fund Congo's balance of payment needs, given large uncertainties surrounding oil revenues. For the post-arrangement period, staff foresees no financing gaps based on current policies and macroeconomic assumptions.

25. Monitoring of program performance. The ECF arrangement's performance is monitored based on performance criteria (PCs, Table 12), structural benchmarks (Table 13), and two prior actions (Table 14). All end-June 2024 quantitative performance criteria (PCs, Table 12) were met, but several indicative targets and the continuous zero ceiling on new external arrears were breached. The structural benchmarks (SBs, Table 13) on the PNFS spending floor, enactment of hydrocarbon-related VAT tax laws and removal of VAT exemptions, and full operationalization of SIGFIP were not met due to delays. The authorities requested a waiver for non-observance of the continuous PC on the non-accumulation of external arears. Respective correction actions of authorities comprise the plan for a full clearance of newly accumulated external program arrears during July 2024–January 2025, including those to multilaterals (prior action). Moreover, the authorities committed to tighter fiscal consolidation in 2024 and 2025 and additional efforts to further improve their budgeting processes, including cash management.

26. Congo's capacity to repay the Fund is assessed to be adequate but subject to significant risks (Figure 3, Table 10). Based on existing and prospective drawings, total credit owed to the Fund is projected to gradually decrease from its 2024 level of 2.9 percent of GDP (SDR 324 million, 200 percent of quota) through 2035 (Table 10), while its share in external debt remains below 10 percent (Text Table 4). Congo's total outstanding Fund credit hovers around the median of other countries with an UCT arrangement. Debt service to the Fund is expected to reach a ten-year-horizon high at 0.4 percent of GDP and 1.2 percent of exports in 2031 before gradually falling from 2032 onwards. The debt service to the Fund also peaks at 1.9 percent of tax revenues and 23 percent of total external debt service in 2030–31, significantly exceeding the average of Congo's peer group in five to ten years ahead.[9] Downside risks to Congo's capacity to repay include

Text Table 3: Republic of Congo: Financing Needs and Sources, 2023–29
(Millions of U.S. dollars unless otherwise indicated)

	2023	2024	2025	2026	2027	2028	2029
Financing Needs	**8662**	**8594**	**8215**	**8114**	**7957**	**7886**	**7874**
Current Account Deficit (excl. grants and oil exports)	6572	7238	6920	6853	6727	6891	7091
Amortization of PPG External Debt	999	846	533	355	318	362	344
Other net financial flows	1071	415	620	782	713	454	281
Net Change in Reserves, excluding SDR drawdown	20	95	142	124	199	179	159
Financing Sources	**8361**	**8452**	**8093**	**8114**	**7957**	**7886**	**7874**
Oil Exports	7380	7341	6829	6759	6654	6614	6562
Grants	107	93	136	149	158	172	187
Other Transfers	119	98	110	121	132	83	52
Project Loans (disbursement)	102	189	211	271	206	216	217
FDI	654	731	807	814	808	802	856
Use of SDR Allocation	0	0	0	0	0	0	0
Financing Gap[1]	301	142	123	0	0	0	0
Budget Support[2]	127	99	80	0	0	0	0
IMF-ECF	175	43	43	0	0	0	0
Residual Gap	-1	0	0	0	0	0	0
Memo items:							
IMF-ECF							
(in percent of total donor inflows)	45	14	…	…	…	…	…
(in percent of budget support and ECF financing)	58	30	…	…	…	…	…

Sources: BEAC; and IMF staff estimates and projections.

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

2 Excludes project loans; and presents a minimum commitment.

[9] The debt service is assessed relative to i) exports, ii) revenues exclusive of grants, iii) overall external debt service and iv) gross international reserves. While overall Congo stays in the lower half of the distribution across countries with UCT arrangements, the first three metrics start in 2028 to exceed respective averages but remain in or close to the core quartiles of cross-country distributions. Owing to low international reserves the respective metric remains consistently above the average of other countries with UCT arrangements.

weaker-than-expected oil prices, further fiscal slippages protracted liquidity pressures, and delays in debt management and governance reforms. However, these risks are mitigated by the authorities' strong track record of repaying the Fund and progress achieved under the current program, including tighter fiscal consolidation relative to the program targets in CR 24/251, continued efforts to remove fuel subsidies, and external debt reduction.

27. Safeguards assessment. The 2022 safeguards assessment found that BEAC maintained strong governance and external audit arrangements, while internal audit and risk management practices needed strengthening. A safeguards monitoring mission took place at end-2023 to follow up on the outstanding recommendations and developments in the governance arrangements. The mission's recommendations include onboarding for new members of senior management and the Board and an enhanced delegation framework for executive decision-making. The BEAC is in the process of addressing these recommendations, although additional efforts are needed to implement the recommendations of the 2022 assessment.

28. Regional assurances. BEAC missed its NFA target for end-June 2024 by a small margin 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 resumed its weekly liquidity injections in June 2024 to alleviate the increased volatility of liquidity conditions in the banking system, and appropriately maintained a tightening bias in its monetary policy to preserve both price and external stability. 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 is expected to be discussed by the Executive Board in February 2025. The regional policy assurances are critical for the success of Congo's Fund-supported program and will help bolster the region's external sustainability.

29. External arrears. In the second half of 2024, Congo has accumulated CFAF 68.5 billion in new external program arrears, including new arrears to four multilateral creditors (WB, EIB, BADEA, and IFAD), of which CFAF 57.4 billion have been cleared by end-January 2025 with at least a 30-days delay.

- Any remaining unpaid external arrears to all creditors, including multilaterals, should be cleared in adherence with Fund's NTP policy.

- As for bilateral new external arrears, they were owed to ten bilateral creditors (UAE, Belgium, Brazil, India, France, Kuwait, Libya, Russia, Saudi Arabia, and Türkiye) and cleared, except for Libya. Arrears to Libya include also past missed payments due since 2023 (CFAF 2.7 billion), as Congolese authorities were unable to address the technical challenges recurrently preventing the payments.

- All legacy external arrears (those already existing by the inception of the ECF) have been resolved by the time of the fifth review of the ECF, with exception of disputed debt and pre-HIPC claims. The authorities continue efforts to resolve remaining pre-HIPC bilateral arrears in the amount of $127.4 million.

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

- 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 ($14.8 million).

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

Text Table 4. Republic of Congo: External Debt, 2023–32

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

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Senior Debt	**2129**	**1877**	**1933**	**2067**	**2139**	**2162**	**2170**	**2184**	**2203**	**2215**
Multilateral	1569	1734	1933	2067	2139	2162	2170	2184	2203	2215
IMF	344	380	412	402	392	356	312	276	240	205
Non-IMF	1225	1354	1520	1665	1747	1806	1858	1909	1962	2011
Private Collateralized Debt (Oil-prepurchased)	559	143	0	0	0	0	0	0	0	0
Non-Senior Debt	**3494**	**3130**	**2787**	**2536**	**2322**	**2247**	**2195**	**2147**	**2127**	**2107**
Official bilateral	2639	2350	2122	1990	1894	1854	1820	1783	1762	1743
Paris Club	488	431	421	385	352	325	302	276	253	227
Brazil	83	74	68	64	60	56	53	46	41	37
Belgium	93	63	45	27	12	4	0	0	0	0
France	280	264	279	266	252	236	221	202	183	162
Russia	32	30	29	29	28	28	28	28	28	28
Switzerland	0	0	0	0	0	0	0	0	0	0
Non-Paris Club	2151	1918	1701	1605	1542	1529	1518	1507	1509	1516
China	1763	1572	1383	1308	1265	1263	1262	1258	1264	1273
India	84	64	45	35	26	18	10	5	4	4
Kuwait	54	52	52	51	49	46	44	42	40	37
Turkey	43	26	17	8	0	0	0	0	0	0
Others	88	86	86	85	85	85	85	85	85	85
Pre-HIPC arrears (not restructured)	120	118	117	117	117	117	117	116	117	117
Private Creditors	**855**	**781**	**664**	**546**	**428**	**393**	**375**	**364**	**365**	**365**
Chinese companies	272	245	162	81	0	0	0	0	0	0
London Club (eurobond)	198	167	135	99	64	28	11	0	0	0
Afreximbank	10	0	0	0	0	0	0	0	0	0
Suppliers	375	368	367	365	364	364	364	364	365	365
Total	**5622**	**5007**	**4719**	**4603**	**4462**	**4408**	**4365**	**4332**	**4330**	**4323**
o/w Multilateral	1569	1734	1933	2067	2139	2162	2170	2184	2203	2215
o/w Official Bilateral	2639	2350	2122	1990	1894	1854	1820	1783	1762	1743
o/w Private	1414	923	664	546	428	393	375	364	365	365
Shares										
IMF (in percent of Multilateral)	21.9	21.9	21.3	19.5	18.3	16.5	14.4	12.6	10.9	9.2
IMF (in percent Total)	6.1	7.6	8.7	8.7	8.8	8.1	7.1	6.4	5.6	4.7
Multilateral (in percent Total)	27.9	34.6	41.0	44.9	48.0	49.0	49.7	50.4	50.9	51.2
Official (in percent Total)	46.9	46.9	45.0	43.2	42.5	42.1	41.7	41.2	40.7	40.3
Private (in percent Total)	15.2	15.6	14.1	11.9	9.6	8.9	8.6	8.4	8.4	8.4

Sources: Authorities; and IMF staff estimates.

STAFF APPRAISAL

31. Fiscal consolidation continued to support the economic outlook amid significant downside risks. Congo's economic growth momentum is envisaged to soften to 2.6 percent in 2024, before picking up to an average 3.6 percent in 2025–29, as the business environment improves, and economic diversification takes hold. A growth-friendly fiscal consolidation in the medium term should support this recovery while easing lingering debt vulnerabilities. Inflation started to abate in 2024 and is projected to maintain this momentum toward the 3 percent regional target in the medium-term, while softening terms of trade, driven by oil prices, are expected to weigh on the current account over the medium-term, shifting it into a deficit by end-2028. Nevertheless, significant downside risks cloud this outlook (¶10). These include increased oil price volatility, intensification of regional conflicts, subdued absorption capacity and appetite of domestic and regional lenders, delays in much-needed structural reforms.

32. Congo's domestic debt reprofiling eased debt service pressures over 2026–29, but near-term risks remain amid still high public debt, thus calling urgently for stepping up fiscal consolidation and strengthening public debt management. Total public debt has declined to 99 percent of GDP in December 2023—3.5 ppt below its end-2020 level. Congo's external debt to GDP ratio fell sharply by 20.3 ppt, while the increased issuance of Treasury securities lifted the domestic debt to GDP ratio by 16.8 ppt. With domestic debt projected at 59.9 percent of GDP in 2024, rising debt service pressures prompted the authorities to reprofile CFAF 1.1 trillion of outstanding treasuries in October 2024 (¶17, ¶21). The debt reprofiling operation increased the average maturity of exchanged treasuries from 2.4 years to 6.3 years according to staff's assessment but falls short of easing near-term risks as total amortization in 2025 would be 13.1 percent higher than expected before the debt management operation (Annex II), on account of the newly issued CFAF 250 billion short-term Treasury bills. Moreover, treasury holders could face a 5.6 percent NPV opportunity cost. Additional fiscal tightening (¶14-15) in 2024–25, and over the medium-term along with improvement in public debt management (¶19)—through increased transparency on public debt and better coordination between CCA, the treasury, line ministers, and BEAC—are essential to safeguard debt sustainability.

33. Policy priorities should balance economic growth with much-needed fiscal adjustments. Staying the course on a well-calibrated fiscal consolidation, would help restore Congo's macroeconomic stability and free up much-needed fiscal resources to fund development expenditures in health, education, and infrastructure, without jeopardizing growth. Addressing the under-execution of social spending would help protect vulnerable households and support a more inclusive and sustainable growth, attenuate the distributional implications of reforms, and secure buy-in for reforms. Domestic resource mobilization should be anchored in stronger reform momentum to broaden the tax base, strengthen the efficiency of tax collection, especially from SOEs in the hydrocarbon sector, recover tax arrears, and digitalize tax systems and invoicing (¶15). The full operationalization of the TSA, including the automatic transfer of hydrocarbon revenues to the TSA, and the extension of SIGFIP to achieve full interconnectivity with customs and tax systems would improve Congo's public finance management.

34. Faster economic diversification and accumulation of foreign assets remain crucial to improve Congo's external position. The current account surplus is expected to dwindle over the medium term, turning negative by 2028. The projected deterioration of Congo's external position reflects a gradual decline in hydrocarbon export revenues amid growing imports from the non-hydrocarbon private sector and the government. This underscores the need to accelerate economic diversification to support the accumulation of foreign assets and contribute to support regional external stability objectives.

35. Congo should continue to prioritize growth-friendly policies and reforms that expand its economic base. Scaling up investments in infrastructure, climate-resilient agriculture, mining, manufacturing, and tourism would buttress the recent growth momentum (¶9). Improving the efficiency of public expenditures in education and health remains crucial to enhancing the quality of the labor supply. Policies geared towards boosting youth employment, including through vocational training, and upgrading workers' skills to leverage new technologies are particularly important to unlock Congo's demographic dividend and productivity growth. Continued progress with fiscal (¶18) and governance reforms is essential to reduce informality, reinvigorate the business environment, attract domestic and foreign investments, including non-hydrocarbon sectors, thereby broadening Congo's economic base.

36. Stronger momentum in governance and anti-corruption reforms remains crucial to promote public accountability and inclusive growth. The authorities made significant progress on key governance reforms (¶22) which lay the groundwork for increased transparency and accountability. These reforms include measures to: (i) provide adequate resources to the HALC and transparency commissions (CNTR, ANIF), (ii) create and operationalize land and corporate registries, (iii) disseminate corruption-related laws and hire more magistrates to strengthen the Judiciary and prosecute corruption offenses, (iv) bolster the Court of Accounts' (CCBD) independence, and (v) articulate the government's plan to improve the transparency of SOEs and natural resources management (¶26). Further efforts are needed to implement Congo's AML/CTF action plan and measures outlined in the 2024 governance action plan as those remain essential not only to curb the laundering of proceeds of corruption but also more broadly to strengthen the AML/CFT regime. Ensuring the public's access to the forestry and mining cadasters and the dissemination of EITI and audit reports for the primary sector would foster transparency in Congo's natural resource management.

37. Congo has achieved significant fiscal consolidation under the ECF arrangement (Annex I), though program performance was mixed at the sixth review. The non-hydrocarbon primary deficit declined from 13.4 percent of non-hydrocarbon GDP in 2021 to 9 percent of non-hydrocarbon GDP in 2024. For the sixth review, fiscal consolidation should gain further momentum to deal with the ongoing liquidity pressures. Nevertheless, the continuous PC on non-accumulation of new external arrears was breached from July 2024 onwards and three out five ITs at end-June 2024 were missed, while the structural benchmarks on the PNFS spending floor and enactment of hydrocarbon-related VAT tax laws and discontinuation of VAT exemptions suffered implementation delays, whereas full operationalization of SIGFIP was not met (¶11-13). Corrective actions for the missed continuous PC included additional fiscal tightening and the authorities' plan for swift clearance of all external arrears newly accumulated during July 2024-January 2025, including the clearance of those to multilaterals stipulated as a prior action. Further, the prior action on the submission to parliament of a 2025 budget law consistent the program demonstrates the authorities' renewed commitment to ensure fiscal and debt sustainability.

38. Considering the strength of the authorities' program, the corrective actions, the regional policy assurances to be established in the February 2025 union-wide paper, staff supports the completion of the sixth and last review under the ECF arrangement, and the authorities' request for waiver for the continuous PC on the non-accumulation of new external arrears. Staff also proposes the completion of the financing assurances review.

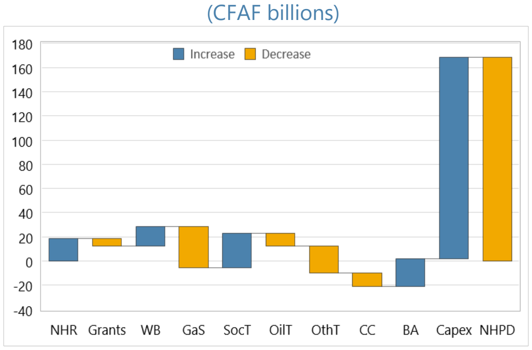
39. The Congolese authorities have expressed their general interest in discussions over a successor arrangement. Staff will continue to engage with the authorities on this matter, attempting to prepare the ground for a formal request in due time.

40. Staff recommends that the Article IV Consultation will be held on the standard 12-month cycle.

Figure 1. Republic of Congo: Growth, Fiscal, Program Performance, and Debt

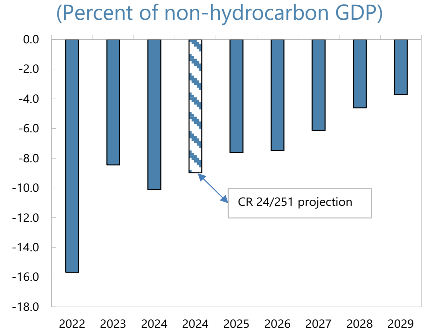
Under-execution of public investments led to a lower-than-expected fiscal deficit in the first half of 2024, …

Fiscal Variable Surprises vs. CR 24/251
(CFAF billions)



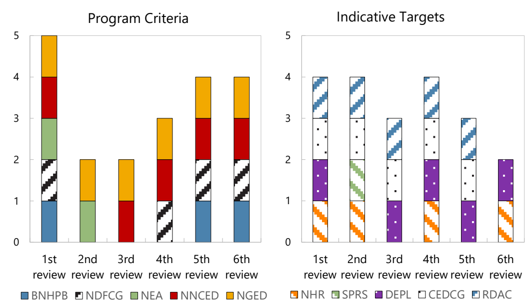
… while the anticipated fiscal consolidation remains on track over the near-term.

Non-hydrocarbon Primary Deficit
(Percent of non-hydrocarbon GDP)



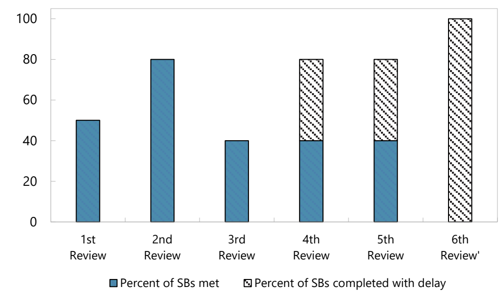
Quantitative program performance remains mixed,…

Cumulative Number of Criteria Met



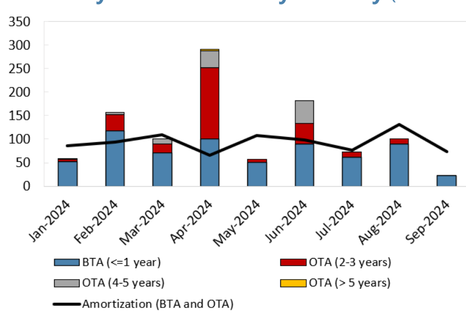
…. while structural reform progress leaves space for further acceleration.

Cumulative Number of Criteria Met



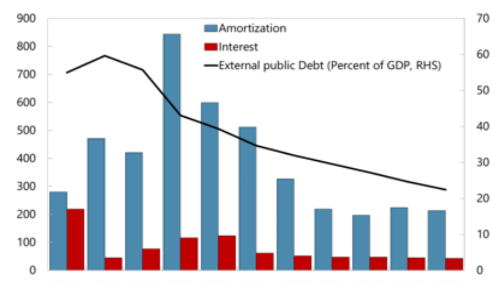
Domestic debt increased, as treasury issuance exceeded amortization…

Treasury Gross Issuance by Maturity (CFAF billions)



…while heavy external debt service continued.

External Public Debt Amortization (CFAF billions)



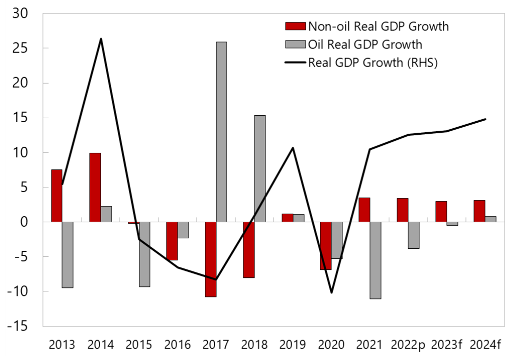
Notes: For acronyms used in panel 1: NHR =non-hydrocarbon revenues, WB = wage bill, GaS = spending on goods and services, SocT = social transfers, OilT = oil transfers, OthT = other transfers, CC = common charges, BA = budget annexes and special accounts, NHPD = non-hydrocarbon primary deficit. For acronyms used in panel 3: 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 = nonhydrocarbon 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 reviews. 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, except for the 6th review for which the SB planned to be completed by end of April 2025 is reported as delayed.

Sources: Congolese Authorities and IMF Staff Estimates and Projections.

Figure 2. Republic of Congo: Recent Economic Developments, 2013–24

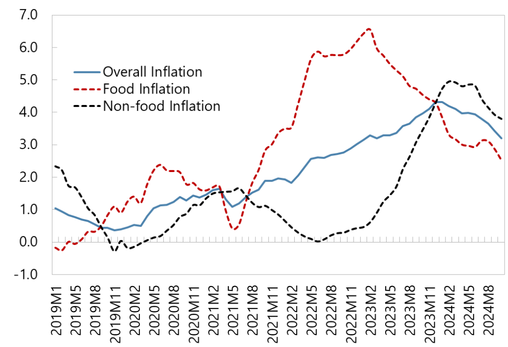
Real GDP growth is gaining momentum driven by an expanding non-hydrocarbon sector.

Real GDP Growth (Percent)



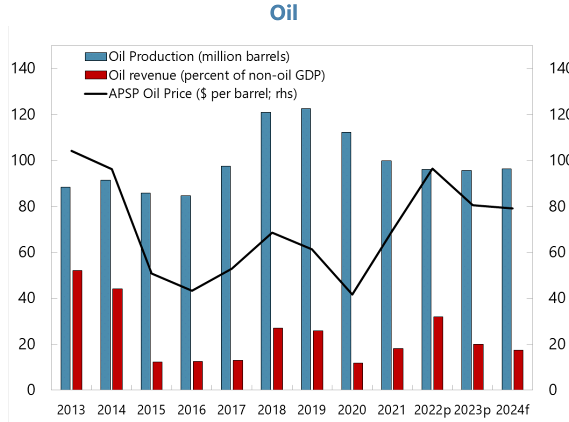
Inflation decelerated in 2024, reflecting a moderation in both food and non-food prices.

Inflation (Average YoY; Percent Change)



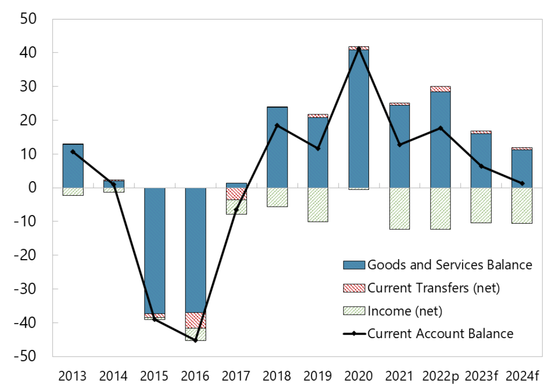
Steady production and moderate price declines implied still considerable oil revenues…

Oil



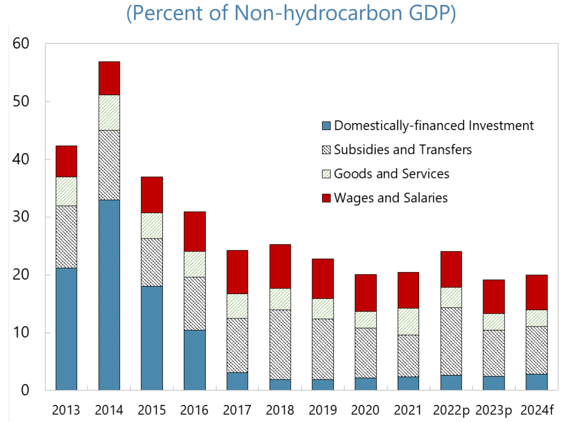
…while the current account surplus started to decline.

Balance of Payments (Percent of GDP)



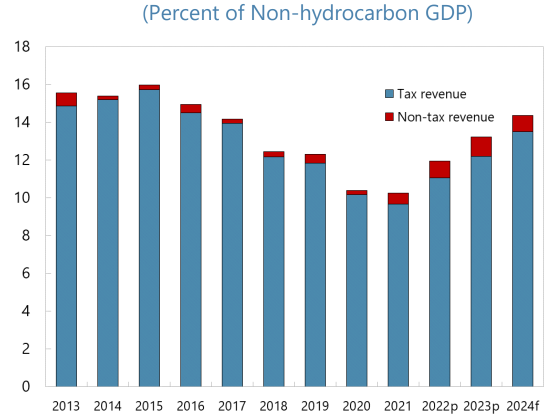
Spending is anticipated to remain well within the budget in 2024.

Adjustable Public Spending
(Percent of Non-hydrocarbon GDP)



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

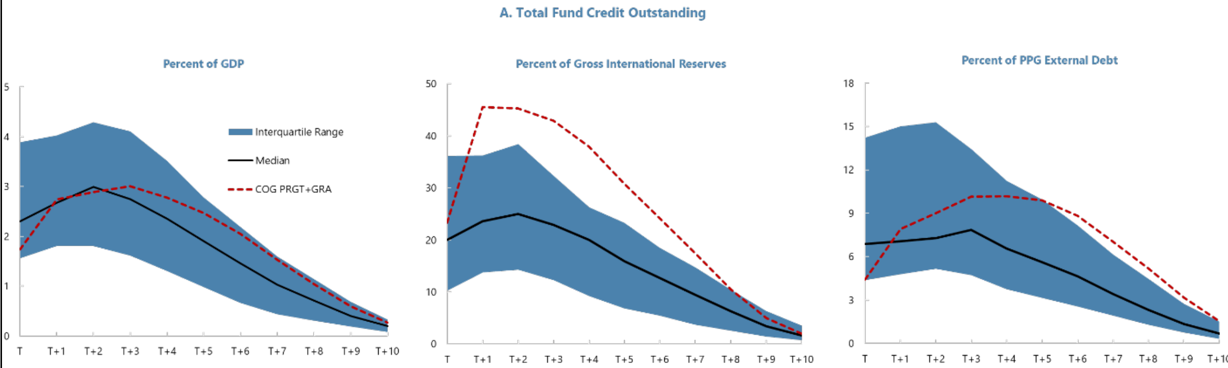
Non-hydrocarbon Revenue
(Percent of Non-hydrocarbon GDP)



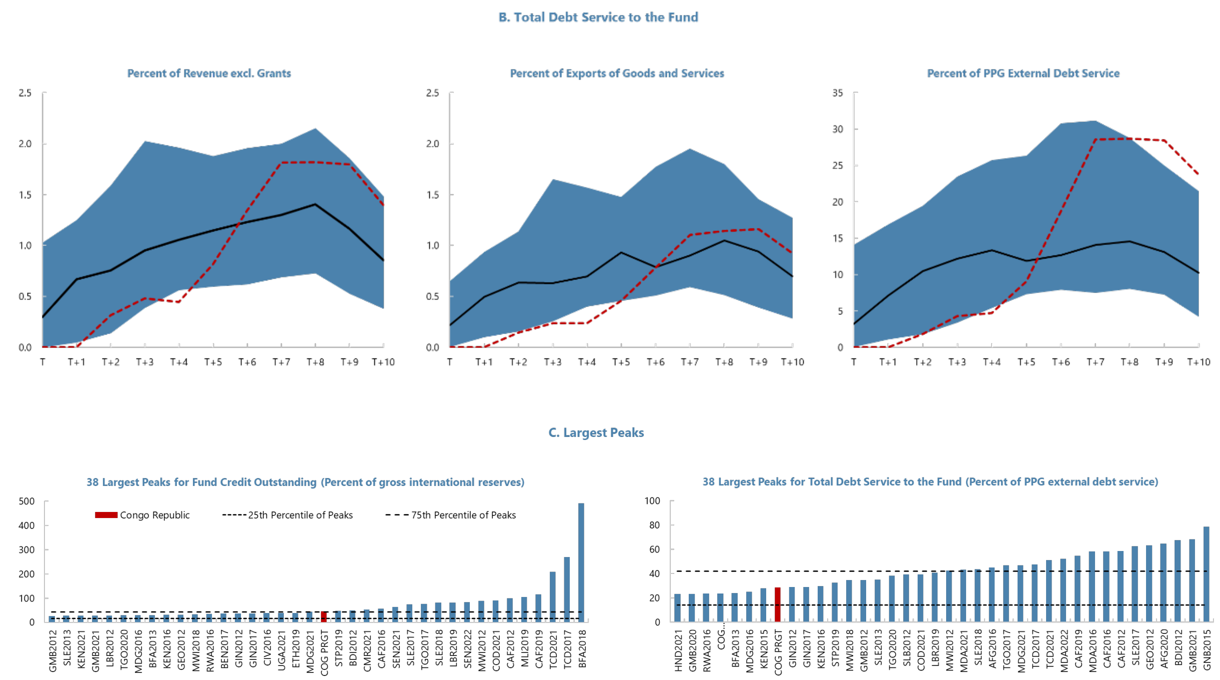
Sources: Congolese Authorities and IMF Staff Estimates and Projections

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

Congo's total credit owed to the Fund and the related debt service remain over 2024–26 predominantly within cross-sectional interquartile ranges across program countries.



Comparatively elevated values for total fund credit measured as percent of gross international reserves underscore Congo's struggle with accumulating FX reserves.



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 2010-20.

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

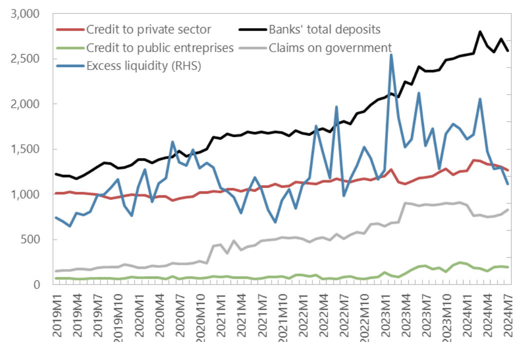
[5] Gross international reserves refer to the gross imputed reserves for Congo Republic.

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

Figure 4. Republic of Congo: Selected Indicators of Financial Soundness and Financial Developments

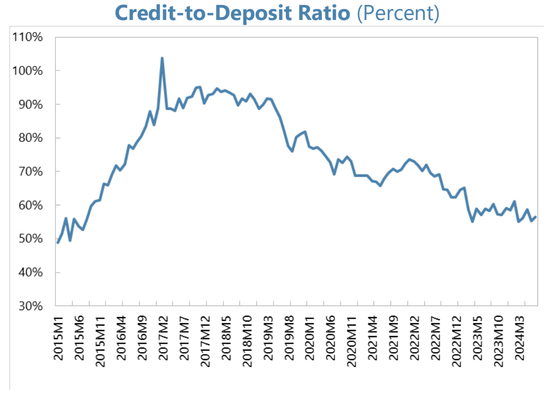
Banks maintain significant excess liquidity, despite a decline in Q2-2024.

Banks' Credits and Deposits (CFAF billions)



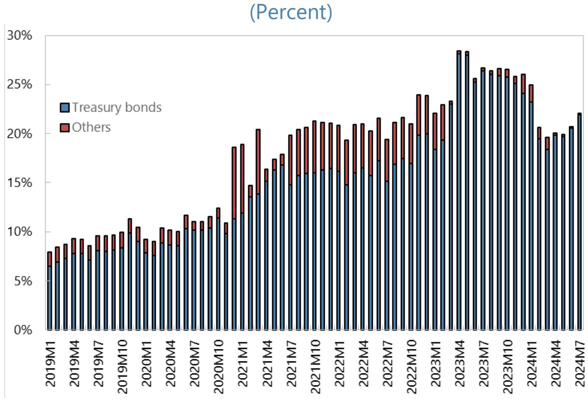
The credit-to-deposit ratio continues its downward trend, with deposit growth outpacing loan activity.

Credit-to-Deposit Ratio (Percent)



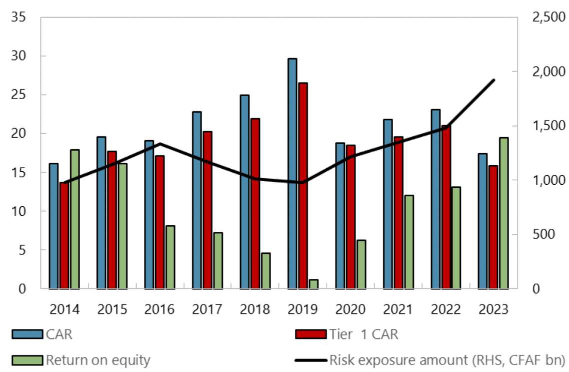
Exposure to sovereign debt remains significant.

Banks' Claims on Government – Share of Total Assets (Percent)



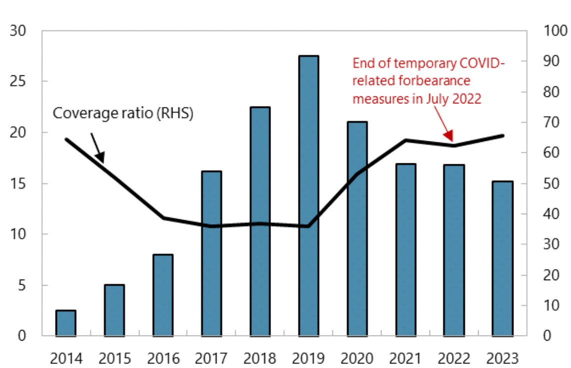
Capital adequacy remains sound, though below pre-pandemic levels.

Capital Adequacy (Percent)



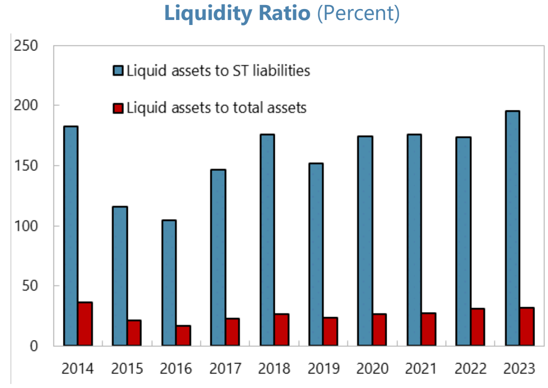
Non-performing loans, while still elevated, show signs of gradual improvement in 2023.

Non-Performing Loans (Percent of total loans)



Overall, banks continue to meet liquidity requirements.

Liquidity Ratio (Percent)



Sources: Congolese Authorities and IMF Staff Estimates, Projections and Assessment.

Table 1. Republic of Congo: Selected Economic and Financial Indicator, 2023–29

	2023	2024	2024	2025	2025	2026	2027	2028	2029
	Prel.	CR24/251	Proj.	CR24/251					
	(Annual percentage change unless otherwise indicated)								
Production and prices									
GDP at constant prices	2.0	2.8	2.6	3.7	3.7	3.4	3.4	3.8	3.8
Hydrocarbons	-0.5	1.7	0.8	3.0	3.6	0.5	-0.4	0.1	-0.4
Non-hydrocarbon	3.0	3.2	3.1	3.8	3.7	4.1	4.4	4.7	4.7
GDP at current prices	-1.2	6.2	5.1	5.8	4.9	6.5	6.4	6.8	6.7
GDP deflator	-3.1	3.3	2.4	2.1	1.2	3.1	2.9	2.9	2.8
Non-hydrocarbon	4.3	4.0	3.1	3.6	3.3	3.2	3.0	3.0	3.0
Consumer prices (period average)	4.3	4.0	3.1	3.6	3.3	3.2	3.0	3.0	3.0
Consumer prices (end of period)	5.6	4.0	3.9	3.6	3.2	3.2	3.0	3.0	3.0
External sector									
Exports, f.o.b.	-18.6	1.6	-0.1	-0.9	-4.1	0.5	0.2	1.1	0.4
Imports, f.o.b.	8.0	9.9	8.5	3.0	0.6	4.7	1.4	6.2	3.9
Export volume	2.7	-2.5	-4.0	2.8	3.3	2.0	1.5	1.1	1.3
Import volume	17.6	11.2	10.2	6.4	5.3	5.9	1.7	6.1	3.7
Terms of trade (deterioration -)	-12.5	5.4	5.6	-0.4	-2.7	-0.3	-1.1	-0.1	-1.1
Current account balance (percent of GDP)	6.5	2.1	1.3	1.3	0.3	0.3	0.5	-0.6	-1.7
BEAC's net foreign assets	-65.7	107.8	62.9	60.7	82.2	55.5	56.0	43.2	33.0
External public debt (percent of GDP)	39.4	35.3	34.7	31.8	31.9	29.5	27.2	24.6	22.4
Monetary sector									
Broad money	14.7	19.5	22.3	9.0	4.4	10.9	8.1	4.3	2.5
Credit to the private sector	5.1	3.6	3.0	4.5	3.8	4.9	5.2	5.8	6.2
	(Percent of GDP)								
Investment and saving									
Gross national saving	33.8	30.8	29.4	29.7	28.2	28.4	27.2	25.4	23.4
Gross investment	27.4	28.7	28.1	28.4	27.9	28.1	26.7	25.9	25.2
	(Percent of non-hydrocarbon GDP, unless otherwise indicated)								
Central government finances									
Total revenue	34.4	33.8	32.6	32.3	32.7	32.1	31.4	30.8	29.9
Hydrocarbon revenue	20.1	19.1	17.4	17.2	16.7	15.7	14.9	13.9	12.8
Non-hydrocarbon revenue (including grants)	14.3	14.7	15.2	15.1	16.0	16.5	16.5	16.8	17.1
Total expenditure	26.9	28.9	29.3	28.5	28.0	28.1	26.3	24.6	23.6
Current	22.4	22.5	24.0	21.8	22.4	21.2	20.2	19.0	18.4
Capital	4.5	6.4	5.3	6.8	5.5	6.8	6.0	5.6	5.2
Overall balance (deficit -, payment order basis)	7.5	4.9	3.3	3.8	4.7	4.1	5.2	6.1	6.3
Overall balance (deficit -, payment order basis, percent of GDP)	5.8	3.8	2.6	3.0	3.7	3.3	4.2	5.0	5.2
Non-hydrocarbon primary balance (- = deficit)	-8.4	-10.1	-9.0	-9.7	-7.6	-7.5	-6.1	-4.6	-3.7
Basic primary fiscal balance (- = deficit)[1]	11.6	9.0	8.4	7.5	9.1	8.2	8.8	9.3	9.1
Basic non-hydrocarbon primary balance (- = deficit)[2]	-7.5	-7.9	-7.4	-7.5	-5.9	-5.4	-4.7	-3.2	-2.4
Reference fiscal balance (percent of GDP)[3]	1.7	1.7	1.9	2.2	3.2	0.8	1.4	2.5	3.0
Primary balance (percent of GDP)	9.0	7.0	6.6	6.0	7.2	6.6	7.1	7.6	7.5
Financing gap (in percent of GDP)	2.1	1.8	1.0	0.0	0.8	0.0	0.0	0.0	0.0
Total public debt (percent of GDP)	99.0	93.6	94.6	89.5	90.4	85.0	78.7	71.2	63.3
External public debt service (percent of total government revenue excluding grants)	33.9	24.6	25.7	15.8	15.9	10.6	9.2	9.6	8.8
	(Billions of CFA francs, unless otherwise indicated)								
Nominal GDP	8,593	9,128	9,029	9,662	9,470	10,090	10,740	11,468	12,241
Nominal hydrocarbon GDP[4]	1,979	2,031	1,997	2,027	1,937	1,999	2,039	2,090	2,125
Nominal non-hydrocarbon GDP	6,614	7,097	7,032	7,635	7,533	8,091	8,701	9,379	10,116
Nominal GDP in US$ (millions)	14,169	15,006	14,929	15,811	15,409	16,362	17,369	18,511	19,767
World oil price (U.S. dollars per barrel)	81	79	79	74	70	68	67	67	66
Congolese oil price (U.S. dollars per barrel)	80	79	78	74	69	68	68	67	67
Brent Price (U.S dollars per barrel)	82	80	80	76	71	70	69	69	69
Oil production (Millions of barrels)	96	97	96	100	100	101	100	100	100
Nominal Exchange rate (CFA/USD, period average)	606	…	…	…	…	…	…	…	…
REER (percentage change)	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, 2023–29
(CFAF billions)

	2023	2024	2024	2025	2025	2026	2027	2028	2029
	Prel.	CR 24/251	Proj.	CR 24/251			Proj.		
Total Revenue and Grants	2,275	2,398	2,293	2,469	2,460	2,600	2,734	2,885	3,026
Revenue	2,203	2,339	2,234	2,396	2,387	2,520	2,648	2,791	2,923
Hydrocarbon revenue	1,329	1,355	1,223	1,316	1,258	1,266	1,296	1,308	1,300
of which: oil transfers	128	47	74	59	47	44	44	44	44
Non-hydrocarbon revenue	875	984	1,011	1,080	1,129	1,253	1,351	1,483	1,624
Direct taxes	395	417	450	435	473	504	535	586	641
Taxes on goods and services	275	328	342	394	421	476	512	560	611
Customs Receipts	137	172	158	188	181	217	244	280	311
Non-tax revenue	68	68	61	64	55	57	60	58	61
Grants	72	59	59	73	73	80	87	95	103
Expenditure	1,777	2,050	2,059	2,179	2,108	2,272	2,286	2,311	2,387
Current expenditure	1,478	1,598	1,688	1,663	1,690	1,718	1,760	1,783	1,859
Wages	388	435	427	466	430	466	501	546	589
Other primary current expenditure	789	822	857	856	880	869	904	897	946
Goods and services	189	190	198	218	210	215	230	248	267
Transfers	527	567	583	570	590	581	600	573	600
Social Transfers (Lisungi, COVID-19 and others)	156	245	245	232	231	245	256	276	298
Oil-related transfers	128	47	74	59	47	44	44	44	44
Other transfers	243	275	265	279	311	293	300	252	258
Common charges	73	67	77	69	81	72	74	77	79
Annex budgets and special accounts[1]	30	52	46	55	49	50	40	40	39
Interest	271	288	358	286	331	333	314	301	285
Domestic	147	227	296	234	279	286	268	256	241
External	124	61	61	52	52	48	47	45	43
Capital expenditure	298	452	371	516	418	554	525	528	528
Domestically financed	164	238	198	278	215	306	311	299	291
Externally financed	134	214	173	237	202	247	214	228	237
Non-hydrocarbon primary balance[2]	-558	-718	-631	-739	-575	-605	-533	-433	-376
Basic non-hydrocarbon primary balance[3]	-497	-563	-517	-576	-445	-438	-405	-299	-241
— excluding oil-related transfers[4]	-369	-516	-443	-517	-398	-394	-361	-255	-197
Primary balance	770	637	592	576	683	661	763	875	924
Overall balance, payment order basis									
Excluding grants	427	290	175	217	279	248	362	480	536
Including grants	499	348	234	291	352	328	449	574	639
Overall balance, cash basis	499	348	234	291	352	328	449	574	639
Financing	-682	-509	-320	-291	-428	-328	-449	-574	-639
Foreign (net, excluding budgetary support)	-734	-577	-571	-336	-354	-207	-185	-206	-194
Drawings	62	156	114	164	129	167	128	134	134
Amortization (paid)	-599	-514	-512	-325	-327	-219	-197	-224	-213
Others	-197	-218	-173	-175	-156	-155	-116	-115	-115
Domestic (net, excluding IMF-ECF)	52	68	251	45	-74	-121	-264	-369	-445
Banking system (net)	517	151	293	115	-4	168	36	-111	-166
Central bank	46	-144	-117	-230	-211	-183	-205	-175	-118
Commercial banks[5]	470	295	410	345	207	352	241	64	-48
Nonbank financing[5]	-465	-83	-43	-70	-70	-290	-300	-258	-279
Of which: Repayment of domestic arrears	-450	-204	-164	-155	-155	-189	-193	-202	-257
Financing gap (- = surplus)	183	161	86	0	76	0	0	0	0
Expected financing (excluding IMF)	77	108	60	0	49	0	0	0	0
IMF-ECF	106	52	26	0	26	0	0	0	0
Residual financing gap	0	0	0	0	0	0	0	0	0
Memorandum items:									
Stock of domestic arrears[6]	1,733	1,504	1,570	1,342	1,409	1,215	1,022	807	557
Stock of government deposits	175	320	292	536	503	671	862	1,021	1,123
CEMAC Reference fiscal balance[7]	150	154	171	216	301	78	152	285	372
GDP at current market prices	8,593	9,128	9,029	9,662	9,470	10,090	10,740	11,468	12,241
Non-hydrocarbon GDP at market prices[8]	6,614	7,097	7,032	7,635	7,533	8,091	8,701	9,379	10,116

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, 2023–29
(Percent of non-hydrocarbon GDP)

	2023	2024	2024	2025	2025	2026	2027	2028	2029
	Prel.	CR 24/251	Proj.	CR 24/251			Proj.		
Total Revenue and Grants	34.4	33.8	32.6	32.3	32.7	32.1	31.4	30.8	29.9
Revenue	33.3	33.0	31.8	31.4	31.7	31.1	30.4	29.8	28.9
Hydrocarbon revenue	20.1	19.1	17.4	17.2	16.7	15.7	14.9	13.9	12.8
of which: oil transfers	1.9	0.7	1.1	0.8	0.6	0.5	0.5	0.5	0.4
Non-hydrocarbon revenue	13.2	13.9	14.4	14.1	15.0	15.5	15.5	15.8	16.1
Direct taxes	6.0	5.9	6.4	5.7	6.3	6.2	6.1	6.2	6.3
Taxes on goods and services	4.2	4.6	4.9	5.2	5.6	5.9	5.9	6.0	6.0
Customs receipts	2.1	2.4	2.2	2.5	2.4	2.7	2.8	3.0	3.1
Non-tax revenue	1.0	1.0	0.9	0.8	0.7	0.7	0.7	0.6	0.6
Grants	1.1	0.8	0.8	1.0	1.0	1.0	1.0	1.0	1.0
Expenditure	26.9	28.9	29.3	28.5	28.0	28.1	26.3	24.6	23.6
Current expenditure	22.4	22.5	24.0	21.8	22.4	21.2	20.2	19.0	18.4
Wages	5.9	6.1	6.1	6.1	5.7	5.8	5.8	5.8	5.8
Other primary current expenditure	11.9	11.6	12.2	11.2	11.7	10.7	10.4	9.6	9.4
Goods and services	2.9	2.7	2.8	2.8	2.8	2.7	2.6	2.6	2.6
Transfers	8.0	8.0	8.3	7.5	7.8	7.2	6.9	6.1	5.9
Social Transfers (Lisungi, COVID-19 and others)	2.4	3.4	3.5	3.0	3.1	3.0	2.9	2.9	2.9
Oil-related transfers	1.9	0.7	1.1	0.8	0.6	0.5	0.5	0.5	0.4
Other transfers	3.7	3.9	3.8	3.7	4.1	3.6	3.4	2.7	2.5
Common charges	1.1	0.9	1.1	0.9	1.1	0.9	0.9	0.8	0.8
Annex budgets and special accounts[1]	0.5	0.7	0.7	0.7	0.6	0.6	0.5	0.4	0.4
Interest	4.1	4.1	5.1	3.7	4.4	4.1	3.6	3.2	2.8
Domestic	2.2	3.2	4.2	3.1	3.7	3.5	3.1	2.7	2.4
External	1.9	0.9	0.9	0.7	0.7	0.6	0.5	0.5	0.4
Capital expenditure	4.5	6.4	5.3	6.8	5.5	6.8	6.0	5.6	5.2
Domestically financed	2.5	3.3	2.8	3.6	2.9	3.8	3.6	3.2	2.9
Externally financed	2.0	3.0	2.5	3.1	2.7	3.1	2.5	2.4	2.3
Non-hydrocarbon primary balance[2]	-8.4	-10.1	-9.0	-9.7	-7.6	-7.5	-6.1	-4.6	-3.7
Basic non-hydrocarbon primary balance[3]	-7.5	-7.9	-7.4	-7.5	-5.9	-5.4	-4.7	-3.2	-2.4
— excluding oil-related transfers[4]	-5.6	-7.3	-6.3	-6.8	-5.3	-4.9	-4.1	-2.7	-1.9
Primary balance	11.6	9.0	8.4	7.5	9.1	8.2	8.8	9.3	9.1
Overall balance, payment order basis									
Excluding grants	6.5	4.1	2.5	2.8	3.7	3.1	4.2	5.1	5.3
Including grants	7.5	4.9	3.3	3.8	4.7	4.1	5.2	6.1	6.3
Overall balance, cash basis	7.5	4.9	3.3	3.8	4.7	4.1	5.2	6.1	6.3
Financing	-10.3	-7.2	-4.6	-3.8	-5.7	-4.1	-5.2	-6.1	-6.3
Foreign (net, excluding budgetary support)	-11.1	-8.1	-8.1	-4.4	-4.7	-2.6	-2.1	-2.2	-1.9
Drawings	0.9	2.2	1.6	2.1	1.7	2.1	1.5	1.4	1.3
Amortization (paid)	-9.1	-7.2	-7.3	-4.3	-4.3	-2.7	-2.3	-2.4	-2.1
Others	-3.0	-3.1	-2.5	-2.3	-2.1	-1.9	-1.3	-1.2	-1.1
Domestic (net, excluding IMF-ECF)	0.8	1.0	3.6	0.6	-1.0	-1.5	-3.0	-3.9	-4.4
Banking system (net)	7.8	2.1	4.2	1.5	-0.1	2.1	0.4	-1.2	-1.6
Central bank	0.7	-2.0	-1.7	-3.0	-2.8	-2.3	-2.4	-1.9	-1.2
Commercial banks[5]	7.1	4.2	5.8	4.5	2.7	4.3	2.8	0.7	-0.5
Nonbank financing[5]	-7.0	-1.2	-0.6	-0.9	-0.9	-3.6	-3.5	-2.7	-2.8
Of which: Repayment of domestic arrears	-6.8	-2.9	-2.3	-2.0	-2.1	-2.3	-2.2	-2.2	-2.5
Financing gap (- = surplus)	2.8	2.3	1.2	0.0	1.0	0.0	0.0	0.0	0.0
Expected financing (excluding IMF)	1.2	1.5	0.9	0.0	0.7	0.0	0.0	0.0	0.0
IMF-ECF	1.6	0.7	0.4	0.0	0.4	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]	26.2	21.2	22.3	17.6	18.7	15.0	11.7	8.6	5.5
Stock of government deposits	2.6	4.5	4.2	7.0	6.7	8.3	9.9	10.9	11.1
CEMAC Reference fiscal balance[7]	2.3	2.2	2.4	2.8	4.0	1.0	1.7	3.0	3.7
GDP at current market prices (CFAF billion)	8,593	9,128	9,029	9,662	9,470	10,090	10,740	11,468	12,241
Non-hydrocarbon GDP at market prices (CFAF billion)[8]	6,614	7,097	7,032	7,635	7,533	8,091	8,701	9,379	10,116

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, 2023–29

(Percent of GDP)

	2023	2024	2024	2025	2025	2026	2027	2028	2029
	Prel.	CR 24/251	Proj.	CR 24/251			Proj.		
Total Revenue and Grants	26.5	26.3	25.4	25.6	26.0	25.8	25.5	25.2	24.7
Revenue	25.6	25.6	24.7	24.8	25.2	25.0	24.7	24.3	23.9
Hydrocarbon revenue	15.5	14.8	13.6	13.6	13.3	12.6	12.1	11.4	10.6
Non-hydrocarbon revenue	10.2	10.8	11.2	11.2	11.9	12.4	12.6	12.9	13.3
Direct taxes	4.6	4.6	5.0	4.5	5.0	5.0	5.0	5.1	5.2
Taxes on goods and services	3.2	3.6	3.8	4.1	4.4	4.7	4.8	4.9	5.0
Customs Receipts	1.6	1.9	1.7	1.9	1.9	2.1	2.3	2.4	2.5
Non-tax revenue	0.8	0.7	0.7	0.7	0.6	0.6	0.6	0.5	0.5
Grants	0.8	0.6	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Expenditure	20.7	22.5	22.8	22.6	22.3	22.5	21.3	20.2	19.5
Current expenditure	17.2	17.5	18.7	17.2	17.8	17.0	16.4	15.6	15.2
Wages	4.5	4.8	4.7	4.8	4.5	4.6	4.7	4.8	4.8
Other primary current expenditure	9.2	9.0	9.5	8.9	9.3	8.6	8.4	7.8	7.7
Goods and services	2.2	2.1	2.2	2.3	2.2	2.1	2.1	2.2	2.2
Transfers	6.1	6.2	6.5	5.9	6.2	5.8	5.6	5.0	4.9
Social Transfers (Lisungi, COVID-19 and others)	1.8	2.7	2.7	2.4	2.4	2.4	2.4	2.4	2.4
Oil-related transfers	1.5	0.5	0.8	0.6	0.5	0.4	0.4	0.4	0.4
Other transfers	2.8	3.0	2.9	2.9	3.3	2.9	2.8	2.2	2.1
Common charges	0.9	0.7	0.8	0.7	0.9	0.7	0.7	0.7	0.6
Annex budgets and special accounts[1]	0.4	0.6	0.5	0.6	0.5	0.5	0.4	0.3	0.3
Interest	3.2	3.2	4.0	3.0	3.5	3.3	2.9	2.6	2.3
Domestic	1.7	2.5	3.3	2.4	2.9	2.8	2.5	2.2	2.0
External	1.4	0.7	0.7	0.5	0.5	0.5	0.4	0.4	0.4
Capital expenditure	3.5	5.0	4.1	5.3	4.4	5.5	4.9	4.6	4.3
Domestically financed	1.9	2.6	2.2	2.9	2.3	3.0	2.9	2.6	2.4
Externally financed	1.6	2.3	1.9	2.5	2.1	2.5	2.0	2.0	1.9
Non-hydrocarbon primary balance[2]	-6.5	-7.9	-7.0	-7.7	-6.1	-6.0	-5.0	-3.8	-3.1
Basic non-hydrocarbon primary balance[3]	-5.8	-6.2	-5.7	-6.0	-4.7	-4.3	-3.8	-2.6	-2.0
— excluding oil-related transfers[4]	-4.3	-5.6	-4.9	-5.3	-4.2	-3.9	-3.4	-2.2	-1.6
Primary balance	9.0	7.0	6.6	6.0	7.2	6.6	7.1	7.6	7.5
Overall balance, payment order basis									
Excluding grants	5.0	3.2	1.9	2.2	2.9	2.5	3.4	4.2	4.4
Including grants	5.8	3.8	2.6	3.0	3.7	3.3	4.2	5.0	5.2
Overall balance, cash basis	5.8	3.8	2.6	3.0	3.7	3.3	4.2	5.0	5.2
Financing	-7.9	-5.6	-3.5	-3.0	-4.5	-3.3	-4.2	-5.0	-5.2
Foreign (net, excluding budgetary support)	-8.5	-6.3	-6.3	-3.5	-3.7	-2.0	-1.7	-1.8	-1.6
Drawings	0.7	1.7	1.3	1.7	1.4	1.7	1.2	1.2	1.1
Amortization (paid)	-7.0	-5.6	-5.7	-3.4	-3.5	-2.2	-1.8	-2.0	-1.7
Others	-2.3	-2.4	-1.9	-1.8	-1.6	-1.5	-1.1	-1.0	-0.9
Domestic (net, excluding IMF-ECF)	0.6	0.7	2.8	0.5	-0.8	-1.2	-2.5	-3.2	-3.6
Banking system (net)	6.0	1.7	3.2	1.2	0.0	1.7	0.3	-1.0	-1.4
Central bank	0.5	-1.6	-1.3	-2.4	-2.2	-1.8	-1.9	-1.5	-1.0
Commercial banks[5]	5.5	3.2	4.5	3.6	2.2	3.5	2.2	0.6	-0.4
Nonbank financing[5]	-5.4	-0.9	-0.5	-0.7	-0.7	-2.9	-2.8	-2.2	-2.3
Of which: Repayment of domestic arrears	-5.2	-2.2	-1.8	-1.6	-1.6	-1.9	-1.8	-1.8	-2.1
Financing gap (- = surplus)	2.1	1.8	1.0	0.0	0.8	0.0	0.0	0.0	0.0
Expected financing (excluding IMF)	0.9	1.2	0.7	0.0	0.5	0.0	0.0	0.0	0.0
IMF-ECF	1.2	0.6	0.3	0.0	0.3	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]	20.2	16.5	17.4	13.9	14.9	12.0	9.5	7.0	4.5
Stock of government deposits	2.0	3.5	3.2	5.5	5.3	6.7	8.0	8.9	9.2
CEMAC Reference fiscal balance[7]	1.7	1.7	1.9	2.2	3.2	0.8	1.4	2.5	3.0
GDP at current market prices	8,593	9,128	9,029	9,662	9,470	10,090	10,740	11,468	12,241
Non-hydrocarbon GDP at market prices[8]	6,614	7,097	7,032	7,635	7,533	8,091	8,701	9,379	10,116

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
	Prel.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	465	609	495	724	2,293	587	597	637	639	2,460
Revenue	461	599	485	689	2,234	579	578	618	612	2,387
Hydrocarbon revenue	229	350	229	416	1,223	314	302	327	314	1,258
Non-hydrocarbon revenue	232	249	256	273	1,011	265	276	291	298	1,129
Direct taxes	113	121	112	104	450	114	118	123	118	473
Taxes on goods and services	75	84	88	95	342	101	105	109	105	421
Customs Receipts	39	37	42	40	158	38	40	45	58	181
Non-tax revenue	6	6	15	34	61	13	13	13	16	55
Grants	4	11	10	35	59	7	19	20	27	73
Expenditure	396	548	376	739	2,059	508	519	553	527	2,108
Current expenditure	381	451	292	563	1,688	420	427	432	410	1,690
Wages	95	97	98	136	427	108	108	108	108	430
Other primary current expenditure	188	280	162	274	903	230	237	242	220	929
Goods and services	47	83	43	25	198	52	55	57	46	210
Transfers	124	165	101	193	583	145	150	153	142	590
Social transfers (Lisungi, COVID-19 and other)	49	67	42	87	245	56	60	58	58	231
Oil-related transfers	22	21	20	11	74	14	12	9	11	47
Other Transfers	53	77	39	96	265	75	78	86	72	311
Common charges	17	28	16	16	77	20	20	20	20	81
Annex budgets and special accounts[1]	1	3	2	40	46	12	12	12	12	49
Interest	98	74	33	153	358	83	83	83	83	331
Domestic	76	46	22	152	296	70	70	70	70	279
External	21	28	11	1	61	13	13	13	13	52
Capital expenditure	15	97	83	176	371	88	92	121	117	418
Domestically financed	4	65	41	88	198	45	47	62	60	215
Externally financed	10	32	43	88	173	43	45	59	57	202
Non-hydrocarbon primary balance[2]	-62	-215	-76	-278	-631	-153	-142	-160	-120	-575
Basic non-hydrocarbon primary balance[3]	-55	-193	-44	-225	-517	-117	-116	-121	-90	-445
— excluding oil-related transfers[4]	-34	-172	-23	-214	-443	-103	-104	-112	-79	-398
Primary balance	167	135	152	138	592	162	160	167	194	683
Overall balance, payment order basis										
Excluding grants	66	50	109	-50	175	72	58	64	85	279
Including grants	70	61	119	-16	234	79	77	84	112	352
Overall balance, cash basis	70	61	119	-16	234	79	77	84	112	352
Financing	-170	-2	-104	-44	-320	-139	-67	-73	-149	-428
Foreign (net, excluding budgetary support)	-60	-94	-166	-250	-571	-40	-53	-43	-218	-354
Drawings	50	22	33	10	114	35	26	39	30	129
Amortization Net (Paid) on principal, external	-110	-72	-115	-215	-512	-75	-79	-82	-92	-327
Others	0	-44	-84	-45	-173	0	0	0	-156	-156
Domestic (net, excluding IMF-ECF)	-109	92	62	207	251	-99	-14	-30	69	-74
Banking	-43	30	-51	358	293	-78	0	-10	83	-4
Central Bank (net)	62	-29	10	-160	-117	-63	-53	-53	-42	-211
Commercial banks (net)	-105	58	-61	519	410	-14	53	43	126	207
Nonbank financing	-66	62	113	-152	-43	-21	-14	-21	-14	-70
Of which: Repayment of domestic arrears	-48	-14	0	-102	-164	-46	-31	-46	-31	-155
Financing gap (- = surplus)	100	-59	-15	59	86	60	-10	-11	37	76
Expected financing (excluding IMF)	0	0	11	48	60	49	0	0	0	49
IMF-ECF	0	0	26	0	26	26	0	0	0	26
Residual	100	-59	-52	11	0	-16	-10	-11	37	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
	Prel.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	465	1075	1570	2293	2293	587	1183	1821	2460	2460
Revenue	461	1060	1545	2234	2234	579	1157	1775	2387	2387
Hydrocarbon revenue	229	579	808	1223	1223	314	616	943	1258	1258
Non-hyrocarbon revenue	232	481	738	1011	1011	265	541	832	1129	1129
Direct taxes	113	234	346	450	450	114	232	355	473	473
Taxes on goods and services	75	159	247	342	342	101	206	315	421	421
Customs Receipts	39	76	118	158	158	38	78	123	181	181
Non-tax revenue	6	12	27	61	61	13	25	38	55	55
Grants	4	14	24	59	59	7	26	46	73	73
Expenditure	396	944	1320	2059	2059	508	1027	1580	2108	2108
Current expenditure	381	832	1125	1688	1688	420	847	1280	1690	1690
Wages	95	193	290	427	427	108	215	323	430	430
Other primary current expenditure	188	468	630	903	903	230	467	709	929	929
Goods and services	47	130	173	198	198	52	107	164	210	210
Transfers	124	289	390	583	583	145	295	448	590	590
Social transfers (Lisungi, COVID-19 and other)	49	116	158	245	245	56	116	173	231	231
Oil-related transfers	22	43	63	74	74	14	27	36	47	47
Other Transfers	53	130	169	265	265	75	153	238	311	311
Common charges	17	45	61	77	77	20	40	61	81	81
Annex budgets and special accounts[1]	1	4	6	46	46	12	24	37	49	49
Interest	98	172	205	358	358	83	165	248	331	331
Domestic	76	123	145	296	296	70	140	209	279	279
External	21	49	60	61	61	13	26	39	52	52
Capital expenditure	15	112	195	371	371	88	180	301	418	418
Domestically financed	4	69	110	198	198	45	92	155	215	215
Externally financed	10	42	85	173	173	43	87	146	202	202
Non-hydrocarbon primary balance[2]	-62	-277	-353	-631	-631	-153	-294	-455	-575	-575
Basic non-hydrocarbon primary balance[3]	-55	-248	-292	-517	-517	-117	-234	-355	-445	-445
— excluding oil-related transfers[4]	-34	-206	-229	-443	-443	-103	-207	-319	-398	-398
Primary balance	167	302	455	592	592	162	322	489	683	683
Overall balance, payment order basis										
Excluding grants	66	116	226	175	175	72	130	194	279	279
Including grants	70	131	250	234	234	79	156	240	352	352
Overall balance, cash basis	70	131	250	234	234	79	156	240	352	352
Financing	-170	-172	-276	-320	-320	-139	-206	-279	-428	-428
Foreign (net, excluding budgetary support)	-60	-154	-321	-571	-571	-40	-93	-136	-354	-354
Drawings	50	71	104	114	114	35	61	100	129	129
Amortization Net (Paid) on principal, external	-110	-182	-297	-512	-512	-75	-154	-236	-327	-327
Others	0	-44	-128	-173	-173	0	0	0	-156	-156
Domestic (net, excluding IMF-ECF)	-109	-18	44	251	251	-99	-113	-143	-74	-74
Banking	-43	-14	-65	293	293	-78	-78	-87	-4	-4
Central Bank (net)	62	33	43	-117	-117	-63	-116	-169	-211	-211
Commercial banks (net)	-105	-47	-108	410	410	-14	38	81	207	207
Nonbank financing	-66	-4	109	-43	-43	-21	-35	-56	-70	-70
Of which: Repayment of domestic arrears	-48	-62	-62	-164	-164	-46	-77	-124	-155	-155
Financing gap (- = surplus)	100	41	27	86	86	60	49	39	76	76
Expected financing (excluding IMF)	0	0	11	60	60	49	49	49	49	49
IMF-ECF	0	0	26	26	26	26	26	26	26	26
Residual	100	41	-11	0	0	-16	-26	-37	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, 2023–29
(Billions of CFA francs)

	2023	2024	2024	2025	2025	2026	2027	2028	2029
	Proj.	CR 24/251	Proj.	CR 24/251			Proj.		
Current account	554	195	119	126	27	34	52	-65	-211
of which non-hydrocarbon	-1,174	-1,237	-1,138	-1,318	-1,162	-1,298	-1,318	-1,335	-1,399
Trade balance	2,921	2,807	2,752	2,698	2,543	2,468	2,445	2,361	2,288
Exports, f.o.b.	4,827	4,911	4,821	4,865	4,622	4,646	4,653	4,706	4,725
Hydrocarbon sector[1]	4,476	4,513	4,440	4,419	4,197	4,168	4,115	4,097	4,064
Non-hydrocarbon sector	351	399	380	446	425	478	539	608	661
Imports, f.o.b.	-1,905	-2,105	-2,068	-2,168	-2,080	-2,178	-2,209	-2,345	-2,437
Hydrocarbon sector	-969	-991	-1,036	-946	-970	-921	-915	-1,005	-1,026
Government	-353	-353	-412	-402	-444	-542	-526	-512	-518
Non-hydrocarbon private sector	-584	-761	-621	-819	-665	-714	-768	-828	-893
Balance of services	-1,538	-1,740	-1,740	-1,741	-1,741	-1,649	-1,630	-1,626	-1,691
Hydrocarbon sector	-1,107	-1,282	-1,287	-1,257	-1,266	-1,144	-1,091	-1,051	-1,077
Non-hydrocarbon sector	-431	-458	-453	-484	-475	-506	-538	-575	-614
Income	-893	-928	-950	-915	-858	-877	-861	-907	-924
Labor income	-14	-14	-13	-13	-12	-12	-11	-11	-11
Investment income	-879	-914	-937	-901	-847	-865	-849	-895	-913
Current transfers (net)	65	56	56	84	84	92	97	106	116
Capital account	72	59	59	73	73	80	87	95	103
Official grants	72	59	59	73	73	80	87	95	103
Debt cancellation	0	0	0	0	0	0	0	0	0
Non-financial non-produced assets	0	0	0	0	0	0	0	0	0
Financial account	-797	-308	-207	-138	-83	-32	-11	125	278
Direct investment (net)	396	442	442	496	496	502	499	497	530
Portfolio investment	139	149	149	142	142	143	145	143	144
Other investment	-1,332	-899	-798	-775	-721	-677	-655	-515	-396
Medium and long term	-598	-471	-464	-256	-277	-94	-50	-53	-36
Public sector	-741	-577	-571	-336	-354	-207	-185	-206	-194
Drawings	62	156	114	164	129	167	128	134	134
Project	62	156	114	164	129	167	128	134	134
Program	0	0	0	0	0	0	0	0	0
Other (collateralized)	0	0	0	0	0	0	0	0	0
Amortization[2]	-606	-514	-512	-325	-327	-219	-197	-224	-213
Net change in arrears	0	0	0	0	0	0	0	0	0
Others	-197	-218	-173	-175	-156	-155	-116	-115	-115
SDR Allocation	0	0	0	0	0	0	0	0	0
Private sector	144	106	107	80	77	112	134	153	158
Oil	57	47	47	38	36	42	49	55	56
Non-oil	87	60	59	42	41	70	85	98	102
Short term	-734	-428	-334	-519	-444	-583	-605	-463	-361
Errors and omissions	-1	-1	0	0	0	0	0	0	0
Overall balance of payments	-171	-55	-29	63	17	82	128	154	169
Financing	-12	-106	-57	-63	-93	-82	-128	-154	-169
Reserve financing (- = increase)	-12	-106	-57	-57	-87	-76	-123	-111	-98
Exceptional financing [3]	0	0	0	-6	-6	-6	-6	-44	-71
Financing gap (- = surplus)	183	161	86	0	76	0	0	0	0
Expected financing (excluding IMF)	77	108	60	0	49	0	0	0	0
IMF-ECF	106	52	26	0	26	0	0	0	0
Residual financing gap	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, 2023–29
(Billions of CFA francs, unless otherwise specified)

	2023	2024	2024				2024	2024	2025	2026	2027	2028	2029
			Q1	Q2	Q3	Q4							
	Prel.	CR 24/251	Prel.	Prel.	Proj.	Proj.	Proj.	CR 24/251			Proj.		
Net foreign assets	210	322	453	329	92	291	291	322	401	534	723	946	1,167
Central bank	50	103	146	-40	-52	81	81	103	147	229	358	512	681
Deposit money banks	160	219	308	370	144	210	210	219	254	305	366	434	486
Net domestic assets	2,532	2,954	2,604	2,669	2,609	3,062	3,062	2,954	3,146	3,395	3,521	3,476	3,364
Net domestic credit	3,039	3,304	3,078	3,005	2,959	3,412	3,412	3,304	3,496	3,745	3,871	3,826	3,714
Net credit to the public sector	1,546	1,749	1,534	1,502	1,477	1,866	1,866	1,749	1,883	2,045	2,076	1,921	1,685
Net credit to the Government	1,592	1,795	1,545	1,575	1,524	1,912	1,912	1,795	1,929	2,092	2,122	1,968	1,731
Central bank	872	779	935	907	917	781	781	779	591	402	191	-27	-216
Claims	1,047	1,099	1,048	1,009	1,052	1,073	1,073	1,099	1,094	1,074	1,053	994	908
Use of IMF Credit	233	285	234	235	261	259	259	285	280	274	269	225	155
Deposits	-175	-320	-113	-102	-135	-292	-292	-320	-503	-671	-862	-1,021	-1,123
Deposit money banks	721	1,016	610	668	607	1,131	1,131	1,016	1,338	1,689	1,931	1,995	1,947
Claims on public agencies, net	-46	-46	-11	-73	-46	-46	-46	-46	-46	-46	-46	-46	-46
Credit to the economy[1]	1,493	1,556	1,544	1,503	1,482	1,546	1,546	1,556	1,613	1,699	1,795	1,905	2,029
Credit to the private sector	1,251	1,296	1,368	1,303	1,279	1,288	1,288	1,296	1,337	1,403	1,475	1,561	1,658
Other items, net	-508	-350	-473.5	-336.0	-350.0	-350.0	-350	-350	-350	-350	-350	-350	-350
Broad money	2,742	3,276	3,058	2,998	2,701	3,352	3,352	3,276	3,547	3,929	4,244	4,423	4,531
Currency outside banks	449	536	424	441	505	550	550	536	582	644	696	725	743
Demand deposits	1,564	1,874	1,843	1,737	1,470	1,918	1,918	1,874	2,031	2,252	2,434	2,538	2,601
Time deposits	703	841	752	777	700	860	860	841	910	1,008	1,089	1,135	1,163
(Changes in percent of beginning-of-period broad money)													
Broad money	14.7	19.5	11.5	9.3	-1.5	22.3	22.3	19.5	5.8	10.8	8.0	4.2	2.5
Net foreign assets	-2.0	4.1	8.9	4.3	-4.3	2.9	2.9	4.1	3.3	3.8	4.8	5.2	5.0
Net domestic assets	16.7	15.4	2.6	5.0	2.8	19.3	19.3	15.4	2.5	7.0	3.2	-1.0	-2.5
Net domestic credit	18.7	9.7	1.4	-1.3	-2.9	13.6	13.6	9.7	2.5	7.0	3.2	-1.0	-2.5
Net credit to the public sector	9.5	7.4	-0.4	-1.6	-2.5	11.7	11.7	7.4	0.5	4.6	0.8	-3.6	-5.3
Credit to the economy	9.2	2.3	1.8	0.4	-0.4	1.9	1.9	2.3	2.0	2.4	2.4	2.6	2.8
Credit to the private sector	2.5	1.6	4.3	1.9	1.0	1.4	1.4	1.6	1.5	1.8	1.9	2.0	2.2
Other items, net	-2.0	5.7	…	…	…	5.7	5.7	5.7	--	--	--	0.0	0.0
(Annual percent changes, unless otherwise indicated)													
Broad money	14.7	19.5	27.4	16.4	6.6	22.3	22.3	19.5	5.8	10.8	8.0	4.2	2.5
Reserve money	18.1	46.9	10.9	-7.2	41.9	50.2	50.2	46.9	8.4	19.6	8.0	4.2	2.5
Credit to the economy	17.2	4.2	26.5	8.8	3.4	3.5	3.5	4.2	4.4	5.3	5.6	6.2	6.5
Credit to the private sector	5.1	3.6	20.6	10.5	2.9	3.0	3.0	3.6	3.8	4.9	5.2	5.8	6.2
Velocity (Non-hydrocarbon GDP/average M2)	2.6	2.2	…	…	…	2.1	2.1	2.2	2.1	2.1	2.1	2.1	2.2
(Percent)													
Total nominal GDP growth	-1.2	6.2	…	…	…	5.1	5.1	6.2	4.9	6.5	6.4	6.8	6.7
Non-hydrocarbon nominal GDP growth[2]	7.4	7.3	…	…	…	6.3	6.3	7.3	7.1	7.4	7.5	7.8	7.9
Credit to the economy/Non-hydrocarbon GDP	22.6	21.9	…	…	…	22.0	22.0	21.9	21.4	21.0	20.6	20.3	20.1
Memorandum Items:													
Gross imputed official reserves (CFA billion)	519	625	592	405	420	576	576	625	663	740	862	973	1072
In months of imports	1.6	1.9	…	…	…	1.7	1.7	1.9	2.0	2.2	2.5	2.7	2.9
Central bank liablities to non-residents	469.0	521.3	446.6	445.8	471.8	495.0	495.0	521.3	515.8	510.3	504.8	461.2	390.6

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, 2023–29
(Billions of CFA francs)

	2023 Prel.	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj
	(Billions of CFA Francs)						
A. Overall fiscal balance (cash basis) [-=surplus]	-499	-234	-352	-328	-449	-574	-639
B. Financing needs	2134	2064	1777	1533	1695	1735	1677
Amortization (including arrears)	1894	1865	1405	1189	1369	1439	1439
External	617	512	327	219	197	224	213
Amortization due	607	512	327	219	197	224	213
ow DSSI amortization	-73	-73	-20	-20	0	0	0
Domestic	1277	1353	1078	970	1173	1215	1226
Amortization due	827	1189	923	782	980	1012	969
Repayment of domestic arrears	450	164	155	189	193	202	257
BEAC	-68	117	211	183	205	175	118
Repayment of statutory advances	0	0	0	15	15	16	16
Change in government deposits (+ = an increase)	-68	117	211	169	190	160	102
Commercial Banks	111	-91	5	5	5	5	5
Change in government deposits (+ = an increase)	111	-91	5	5	5	5	5
Other external financing	197	173	156	155	116	115	115
Errors and omissions	0	0	0	0	0	0	0
C=A+B Total financing needs	1635	1830	1425	1205	1246	1160	1038
D. Identified sources of financing	1452	1744	1350	1205	1246	1160	1038
External	80	114	129	167	128	134	134
Project financing	62	114	129	167	128	134	134
Loans	62	114	129	167	128	134	134
Domestic	1372	1629	1220	1037	1119	1026	904
SDR allocation channeled through BEAC	-5	0	0	0	0	0	0
Commercial bank and non-bank financing	1394	1629	1220	1037	1119	1026	904
Other	-17	0	0	0	0	0	0
E=C-D Financing gap (-=overfinancing)	183	86	76	0	0	0	0
F. Exceptional external financing (excl. IMF)	73	60	76	0	0	0	0
Multilateral	60	48	76	0	0	0	0
Bilateral	13	11	-	-	-	-	-
G=E-F Residual financing needs	110	26	0	0	0	0	0
IMF-ECF	106	26	26	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	14,142	100.0	99.0	3,576	3,669	2,835		25.9	24.6	19.0
External	5,622	39.8	39.4	1,227	941	604		8.7	6.3	4.0
Multilateral creditors[2]	1,569	11.1	11.0	86	61	68		0.6	0.4	0.4
IMF	344	2.4	2.4	…	…	…	…	…	…	…
World Bank	609	4.3	4.3	…	…	…	…	…	…	…
ADB/AfDB/IADB	496	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	2,639	18.7	18.5	355	347	297		2.5	2.3	1.9
Paris Club	488	3.4	3.4	89	77	46		0.6	0.5	0.3
o/w: France	280	2.0	2.0	…	…	…	…	…	…	…
Belgium	93	0.7	0.7	…	…	…	…	…	…	…
Non-Paris Club	2,151	15.2	15.1	265	270	251		1.9	1.8	1.6
o/w: China	1,763	12.5	12.3	…	…	…	…	…	…	…
India	84	0.6	0.6	…	…	…	…	…	…	…
Commercial creditors	1,414	10.0	9.9	786	533	239		5.5	3.6	1.6
o/w: Bonds	198	1.4	1.4	39	38	40		0.3	0.3	0.3
o/w: Trafigura			-					0.0	0.0	0.0
Glencore			-					0.0	0.0	0.0
Other international creditors	1,216	8.6	8.5	747	495	199		5.3	3.3	1.3
o/w: Largest two creditors	559	4.0	3.9	…	…	…	…	…	…	…
o/w: Glencore	349	2.5	2.4							
o/w: Trafigura	210	1.5	1.5							
Others	657	4.6	4.6	…	…	…	…	…	…	…
Domestic[3]	8519	60.2	59.6	2349	2727	2231		16.6	18.3	14.5
T-Bills and Bonds[4]	4043	28.6	28.3	1216	1560	2214		8.6	10.5	14.4
Loans	1486	10.5	10.4	27	27	27		0.2	0.2	0.2
Memo items:										
Collateralized debt[4]										
o/w: Related	559	…	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, 2022–24

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

	December 2022 stock			June 2023 stock			December 2023 stock			June 2024 stock			June 2024 (Excl. unrestructured pre-HIPC arrears)			September 2024 stock			September 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	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**	**310.0**	**517.8**	**3.4**	**19.0**	**31.7**	**0.2**	**303.1**	**506.2**	**3.4**	**14.9**	**24.9**	**0.2**
Multilateral and other creditors	0.0	0.0	0.0	3.7	6.1	0.0	0.0	0.0	0.0	5.9	9.9	0.1	5.9	9.9	0.1	3.1	5.2	0.0	3.1	5.2	0.0
Bilateral	86.7	140.0	1.0	72.4	119.6	0.8	72.2	120.0	0.8	78.4	131.0	0.9	4.2	7.0	0.0	74.3	124.1	0.8	2.9	4.9	0.0
Paris Club	11.9	19.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	2.1	3.6	0.0	2.1	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	1.9	3.2	0.0	1.9	3.2	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	0.2	0.3	0.0	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	76.3	127.4	0.8	2.1	3.5	0.0	74.3	124.1	0.8	2.9	4.9	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	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	3.5	0.0	2.1	3.5	0.0	1.3	2.2	0.0	1.3	2.2	0.0
Angola	69.8	112.6	0.8	68.2	112.7	0.8	69.0	114.8	0.8	71.1	118.7	0.8	0.0	0.0	0.0	68.2	113.9	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	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	1.5	2.5	0.0	1.5	2.5	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	0.1	0.1	0.0	0.1	0.1	0.0
Saudi Arabia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	5.3	0.0	0.0	0.0	0.0	3.1	5.3	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	376.9	2.5	8.9	14.8	0.1	225.7	376.9	2.5	8.9	14.8	0.1
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	0.0	0.0	0.0	0.0	0.0	0.0
Eurobond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	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	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	376.9	2.5	8.9	14.8	0.1	225.7	376.9	2.5	8.9	14.8	0.1

Source: Congolese authorities and IMF staff estimates.

Table 10. Republic of Congo: Indicators of Capacity to Repay the IMF, 2024–38

(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	58.3	58.3	45.4	25.9	6.5	0.0	0.0	0.0	0.0
Charges and interest	9.0	7.4	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
IMF obligations based on prospective credit															
Principal	0.0	0.0	0.0	0.0	0.0	0.0	3.2	6.5	6.5	6.5	6.5	3.2	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	9.0	13.8	13.8	26.8	46.2	65.6	68.9	72.1	59.2	39.7	20.3	10.6	7.3	7.3	7.3
CFAF billions	7.3	11.3	11.3	21.9	38.0	54.0	56.8	59.4	48.7	32.7	16.7	8.7	6.0	6.0	6.0
Percent of exports of goods and services	0.1	0.2	0.2	0.5	0.8	1.1	1.1	1.2	0.9	0.6	0.3	0.2	0.1	0.1	0.1
Percent of debt service[1]	1.3	3.0	4.2	9.0	14.1	21.1	23.0	23.3	18.7	14.2	8.1	4.1	2.9	2.7	2.7
Percent of GDP	0.1	0.1	0.1	0.2	0.3	0.4	0.4	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Percent of tax revenue	0.3	0.5	0.5	0.8	1.4	1.9	1.9	1.8	1.4	0.9	0.4	0.2	0.1	0.1	0.1
Percent of quota	5.6	8.5	8.5	16.5	28.5	40.5	42.5	44.5	36.5	24.5	12.5	5.4	3.7	3.7	3.7
Outstanding IMF credit based on existing and prospective drawings															
SDR millions	324.0	349.9	343.4	324.0	285.1	226.8	165.2	100.4	48.6	16.2	3.2	0.0	0.0	0.0	0.0
CFAF billions	260.4	284.8	280.6	265.5	234.4	186.6	136.2	82.7	40.0	13.3	2.7	0.0	0.0	0.0	0.0
Percent of exports of goods and services	5.3	6.0	5.9	5.5	4.8	3.8	2.7	1.6	0.8	0.2	0.0	0.0	0.0	0.0	0.0
Percent of debt service[1]	45.4	75.1	105.2	109.1	87.1	72.8	55.3	32.4	15.3	5.8	1.3	0.0	0.0	0.0	0.0
Percent of GDP	2.9	3.0	2.8	2.5	2.0	1.5	1.0	0.6	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Percent of tax revenue	12.0	12.2	11.4	10.3	8.6	6.5	4.5	2.6	1.2	0.4	0.1	0.0	0.0	0.0	0.0
Percent of quota	200.0	216.0	212.0	200.0	176.0	140.0	102.0	62.0	30.0	10.0	2.0	0.0	0.0	0.0	0.0
Memorandum items:															
Exports of goods and services (CFAF billions)	4,957	4,763	4,792	4,806	4,865	4,892	4,968	5,114	5,280	5,422	5,575	5,624	5,579	5,499	5,466
External Debt service (CFAF billions)[1]	573	379	267	243	269	256	246	255	261	230	207	211	211	220	220
Nominal GDP (CFAF billions)	9,029	9,470	10,090	10,740	11,468	12,241	13,075	13,996	14,992	16,041	17,172	18,318	19,488	20,722	22,078
Tax revenue (CFAF billions)	2,173	2,332	2,463	2,587	2,733	2,863	3,022	3,211	3,427	3,634	3,863	4,112	4,312	4,513	4,749
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) ECF	Percent of Quota ECF
Board approval January 21, 2022	Executive Board approval of three-year arrangement under the ECF.	64.80	40
April 15, 2022	Observance of performance criteria for February 28, 2022, continuous performance criteria and completion of first review.	64.80	40
October 15, 2022	Observance of performance criteria for June 30, 2022, continuous performance criteria and completion of second review.	64.80	40
April 15, 2023	Observance of performance criteria for December 31, 2022, continuous performance criteria and completion of third review.	32.40	20
October 15, 2023	Observance of performance criteria for June 30, 2023, continuous performance criteria and completion of fourth review.	32.40	20
April 15, 2024	Observance of performance criteria for December 31, 2023, continuous performance criteria and completion of fifth review.	32.40	20
October 15, 2024	Observance of performance criteria for June 30, 2024, continuous performance criteria and completion of sixth review.	32.40	20
	Total	324.00	200
Memorandum item:			
Republic of Congo's quota		162.0	

Source: IMF Staff estimates.

Table 12. Republic of Congo: Quantitative Performance Criteria (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-Dec 2023				End-Mar 2024				End-June 2024				End-Sept 2024		
		PC Program	PC Modified Program	Actual	Status	IT Program	IT Modified Program	Actual	Status	PC Program	PC Modified Program	Actual	Status	IT Program	Actual[10]	Status
Floor on basic non-hydrocarbon primary budget balance (excluding oil-related transfers)[2]	PC	-459	-459	-369	Met	-132	-147	-34	Met	-290	-304	-206	Met	-442	-229	Met
Adjusted target (floor)			-433				-78				-323			-406		
Upward adjustment for higher than expected oil-related transfers			0				0				0			0		
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower hydrocarbon revenue			26				69				-19			36		
Ceiling on net domestic financing of the central government	PC	-67	153	158	Met	-33	-10	-109	Met	6	60	-18	Met	77	70	Met
Adjusted target (ceiling)			179				59				27			113		
Downward (Upward) adjustment for higher (lower) than expected net external assistance and hydrocarbon revenue			26				69				-33			36		
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3]	PC	0	0	0	Met	0	0	29	Not Met	0	0	0	Met	0	68	Not Met
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	Met
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	Met
Floor on non-hydrocarbon revenues	IT	868	880	875	Not Met	224	232	232	Met	472	462	481	Met	715	738	Met
Floor for social and poverty-reducing spending	IT	402	308	232	Not Met	85	82	55	Not Met	165	165	155	Not Met	247	223	Not Met
Ceiling on disbursements of external loans for investment projects	IT	164	165	62	Met	62	58	50	Met	105	109	71	Met	153	104	Met
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion)[4,7]	IT	143	216	135	Met	174	216	172	Met	216	216	264	Not Met	216	264	Not Met
Floor on repayment of domestic arrears accumulated by the central government	IT	110	379	450	Met	21	20	48	Met	41	68	62	Not Met	119	62	Not Met
Memo items:																
Hydrocarbon revenue[8]		1195	1205	1201		321	347	208		681	522	536		865	745	
Expected external assistance, net[9]		-484	-401	-449		-91	-108	-106		-195	-206	-168		-308	-261	
- BoP assistance (IMF-ECF)		105	105	106		0	0	0		26	26	0		26	26	
- Budgetary loans and grants (excl. IMF)		194	196	149		38	6	4		33	32	14		48	36	
Payments for current external debt amortization due after debt relief		678	597	599		129	114	110		228	238	182		356	297	

[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] The reported new external arrears were accumulated over the period from July 2024 to January 2025.

Table 13. Republic of Congo: Structural Benchmarks

Measures	Target date	Status	Macroeconomic Rationale	Depth
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	Not met, implemented with delay. The treasury disbursed CFAF 2.4 billion in July 2024, while the remaining CFAF 3.6 billion were disbursed in August.	Reduce fragility, maintain social stability, reduce inequalities, and promote social inclusion.	Low
Enactment of hydrocarbon-related VAT tax laws, eliminating VAT exemptions in the process.	End-September 2024	Not met, implemented with delay. A new decree on the classification and pricing of petroleum products, replacing the 2005 framework, was adopted on October 17, 2024. This decree introduces VAT on the distribution entry price for petroleum products and reaffirms the application of customs duties on imported quantities of these products.	Improve tax administration and support domestic revenue mobilization efforts.	High
Finalize the modules for accrual accounting and program budgeting of the Expenditure Tracking Software (SIGFIP).	End-November 2024	Not met. Significant progress has been made, but the implementation of the system for accounting tax and customs revenues has faced delays.	Improve transparency and governance and protect public resources.	High

Table 14. Republic of Congo: Proposed Prior Actions

Measure	Status	Macroeconomic Rationale
Full clearance of all outstanding program external arrears to multilaterals accumulated during H2 2024.		Improve debt management practices to address debt vulnerabilities.
Submission to parliament of a 2025 budget targeting a non-hydrocarbon primary deficit consistent with the projections under the ECF arrangement.	Met	Advance fiscal consolidation to address debt vulnerabilities.

Table 15. Republic of Congo: Social Spending 2022–24

(Billions of CFAF)

	2022			2023			2024						
							End-March		End-June		End-September		
ITEM	Budgeted	Actual	Execution rate (percent)	Budgeted	Actual	Execution rate (percent)	Actual	Execution rate (percent)	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**	**53.9**	**30.0**	**79.5**	**44.3**	**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	2.5	34.6	5.6	75.7	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	3.9	25.1	5.3	34.2	15.4
AIDS education and outreach campaign	0.5	0.7	134.7	0.5	0.3	60.6	0.1	13.7	0.1	36.0	0.3	75.8	0.4
Malaria and other diseases control program	15.1	5.5	36.2	16.5	5.4	32.8	0.7	4.3	8.1	47.6	8.7	50.9	17.1
Extended vaccination program	12.9	4.8	37.6	12.8	1.1	8.8	0.6	4.3	3.8	29.5	5.9	45.5	12.9
Response to epidemics	17.6	15.2	86.4	14.7	0.8	5.7	0.7	8.1	4.4	52.2	5.3	62.9	8.4
Free caesarean section program	2.4	1.1	45.6	2.5	0.4	14.3	0.1	5.0	0.1	5.0	0.7	31.5	2.3
Tuberculosis control program	0.5	1.4	288.3	0.5	0.7	145.1	0.2	44.1	0.3	69.1	0.3	69.1	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	0.2	25.4	0.2	30.6	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	26.8	30.0	39.9	44.7	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	3.3	16.6	7.1	35.6	19.9
Women's and teenager health	4.2	5.8	139.5	5.6	4.6	81.7	0.1	1.8	0.3	5.6	0.3	5.6	5.3
Basic education	**102.6**	**55.9**	**54.5**	**144.4**	**87.8**	**60.9**	**24.2**	**14.9**	**57.1**	**35.3**	**83.3**	**51.4**	**161.9**
Construction and rehabilitation of school buildings	6.5	1.7	25.6	10.5	1.2	11.5	0.0	0.0	0.7	4.8	1.1	8.3	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	11.7	44.6	17.0	64.7	26.3
School canteen program	5.1	3.9	76.2	7.1	4.5	63.2	0.0	0.0	0.7	10.4	1.0	15.6	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	37.3	47.0	54.5	68.5	79.5
Scholarships, school and university aid	30.5	4.4	14.4	31.5	2.7	8.6	6.5	24.2	6.7	25.0	6.7	25.0	26.8
Program for the acquisition of table-bench at school level	0.0	0.0	-	0.0	0.0	-	0.0	-	0.0	-	0.0	-	0.0
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	0.0	0.0	3.0	32.7	9.2
Infrastructures for improved access	**52.2**	**30.6**	**58.7**	**58.2**	**8.6**	**14.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**	**0.8**	**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	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	0.0	0.0	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	-	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	0.0	0.0	0.8	1.0	83.4
Electricity, water and sanitation	**69.8**	**59.6**	**85.3**	**55.9**	**27.4**	**49.0**	**1.9**	**3.6**	**10.5**	**20.3**	**22.7**	**43.8**	**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	0.8	12.3	4.5	68.1	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	0.6	2.7	6.4	30.2	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	9.2	37.7	11.9	49.0	24.3
Social protection and employment	**58.9**	**21.9**	**37.2**	**76.4**	**28.1**	**36.9**	**6.4**	**12.0**	**27.6**	**51.4**	**29.4**	**54.8**	**53.6**
Charitable actions and social assistance	0.7	0.3	43.7	0.7	0.4	54.7	0.0	4.5	0.2	23.9	0.4	48.1	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	0.1	25.6	0.2	42.9	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	22.4	78.5	23.7	83.0	28.6
Of which: National Social Safety Nets Program	-	-	-	-	-	-	0.0	0.0	0.0	0.0	10.5	87.1	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	100.0	0.2	100.0	0.2
Lisungui Projects	14.8	14.8	99.9	17.9	0.0	0.0	0.0	0.0	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	0.3	26.0	0.5	45.8	1.2
Implementation of universal health insurance	26.9	0.0	0.1	28.4	0.0	0.0	4.5	20.1	4.5	20.1	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**	**2.6**	**20.8**	**3.8**	**30.1**	**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	0.0	0.1	0.5	8.7	5.2
Improved seed distribution program	0.5	1.3	241.1	0.8	0.5	59.7	0.2	27.0	0.3	38.6	0.4	58.3	0.7
Agricultural techniques outreach and demonstration program	2.7	2.2	83.0	3.1	2.2	71.8	0.8	26.5	1.4	45.2	1.7	57.6	3.0
Livestock techniques demonstration program	3.7	0.5	13.8	3.8	0.8	19.9	0.6	16.6	1.0	26.2	1.2	31.7	3.6
Bovine sharecropping program	0.1	0.1	77.7	0.1	0.1	93.6	0.0	26.4	0.0	38.2	0.1	53.5	0.1
Promotion of women	**4.8**	**2.3**	**47.9**	**5.6**	**1.5**	**26.8**	**1.3**	**23.8**	**3.0**	**55.5**	**3.4**	**64.1**	**5.4**
Gender issue	2.9	1.6	56.3	2.8	1.1	39.4	0.6	20.1	1.1	36.6	1.3	44.3	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	1.9	80.1	2.1	89.7	2.3
TOTAL	**479.5**	**290.7**	**60.6**	**557.0**	**236.4**	**42.4**	**55.5**	**9.8**	**154.7**	**27.4**	**223.0**	**39.5**	**565.3**

Source: Congolese Authorities.

Annex I. Performance Evaluation for the ECF arrangement

Under the 2022–24 ECF arrangement, Congo has achieved sizeable fiscal consolidation and has reduced its external public debt by almost half. Congo's economic growth has accelerated gradually, preparing the ground for sustainable economic growth momentum expected over the medium run. Due to newly discovered domestic arrears, materialization of fiscal risks, and a ramp-up in domestic funding, total public debt has not been reduced as targeted by the arrangement. In addition, fiscal consolidation was partially carried by the under-execution of social spending and public investments, implying challenges to social fragility, inequality, and long-term growth prospects.

A. Features of Congo's ECF Arrangement

1. On January 21, 2022, the IMF Executive Board approved the current ECF arrangement for the Republic of Congo, with an access of 200 percent of the country's quota, or SDR 324 million, to address the country's immediate and protracted balance of payments needs.
The arrangement has aimed at restoring external balance through a mix of reforms focusing on fiscal and development policies, debt management, and governance. Fiscal consolidation plans were calibrated to reduce external public debt and domestic arrears, thereby restoring fiscal space available for other policy goals, while ensuring during the adjustment period that public investment and social spending support adequate growth potential. Structural reform design was tailored to the fragility context and focused on priority areas encompassing institutional reforms to improve governance, transparency and anti-corruption activities, a revamping of public investment and debt management practices, financial sector development, including financial inclusion aspects, and the promotion of an attractive business environment and external competitiveness.

B. Performance Over the Arrangement's Duration

2. Under the ECF arrangement, Congo has achieved substantive fiscal consolidation. Despite instances of the missed targets for the non-hydrocarbon primary deficit, its level has been reduced from 13.4 percent of non-hydrocarbon GDP in 2021 to 9 percent of non-hydrocarbon GDP projected for 2024, as respective program targets were successively tightened (Fig. 2.3). As gains initially targeted for the mobilization of non-hydrocarbon revenues materialized only partially (Fig. 2.6), acceleration of public financial management (PFM) reforms could free up additional fiscal space, thereby also addressing previous backlogs in the respective reform agenda (Fig. 1.5). Current projections point to the authorities' commitment to further fiscal consolidation over the next few years to reign in debt vulnerabilities.

3. The execution of public investment and social expenditure has remained weaker than anticipated. Social spending targets were missed frequently (Fig 1.1), while public investments remained below initial projections. Program calibration repeatedly addressed both issues through added conditionality on budget laws coherent with program targets (Fig. 1.2), increases in targets for social spending and public investments, and structural benchmarks targeting individual areas of concern (Fig. 1.5). The execution of both budget items, however, continues to face challenges that would urgently need to be resolved to prevent a deepening of social fragility and inequality as well as a stagnation of the country's potential for sustainable growth.

4. **Congo's public external debt decreased under the ECF arrangement by 22.1 percent of GDP between 2021 and 2024.** The reduction of external debt outpaced initial projections (Fig. 2.5), a development that was facilitated by overall fiscal surpluses successively strengthening relative to initial projections and a series of sizeable current account surpluses over the program period. Over the same period, however, Congo successively adjusted downward its targeted accumulation of net international reserve assets, compromising the program's initial secondary objective of strengthening Congo's contribution to the regional pool of international reserves.

5. **Driven by newly recognized domestic arrears, materialization of fiscal risks and a ramp-up in domestic funding, Congo's trajectory for the reduction of total public debt shifted repeatedly up.** Upward shifts in Congo's projected debt trajectory (Fig. 2.4) highlight a protracted discovery process of domestic arrears and a substantial increase in domestic funding that resulted during the arrangement in several instances of missed limits on net domestic funding (Fig. 1.1). Past examples include the 2023 securitization of CFAF 269 billion in pension arrears accumulated by the Caisse Nationale de Sécurité Sociale, Congo's pension fund system. Consistent with this, Congo's total debt level increased from 98 percent at end 2021 to 99 percent of GDP at end 2023, with a decrease of 4.4 percent of GDP projected for 2024. The challenges with reducing domestic debt point to longstanding issues around debt management, the realism of funding plans, and transparency on existing debt stocks (Fig. 1.2 and 1.5). Despite the successful completion of some related structural reforms, additional work lies ahead as presented in more detail in ¶19-21 of this report's main text. In particular, the recent emergence of challenges for Congo to roll over its debt in regional treasury markets threaten to compromise the ECF arrangement's achievements, especially if they should continue to impinge on timely external debt service, the rationalization of new concessional external lending, and the prevention of the built-up of additional domestic arrears (Fig. 1.1**).**

6. **Over the arrangement's lifetime newly added structural reform targets have aimed to compensate previously missed conditionality but could not completely close reform gaps, particularly those concerning social spending, PFM measures, and transparency challenges.** An intensifying reform agenda provided corrective action for most of the reform targets missed previously (Fig. 1.2-1.4). Some reform gaps, however, could not be completely closed, providing ample reform opportunities for the time subsequent to the graduation from this arrangement. Continued reform efforts are especially encouraged on PFM, debt management, an accelerated execution of social spending and public investments, governance, anti-corruption, and transparency.

7. **About two fifth of the ECF arrangement's structural reform targets were implemented on time, while additional two fifth were implemented with delay (Fig. 1.5).** Concerning PFM, reforms achieved on time included (i) the preparation of a new medium-term PFM strategy and a new template for procurement plan compliant with best practice as well as its operationalization; (ii) the publication of the audits for Covid-19 related spendings, oil reconciliation reports, and a list of mining, forestry, and oil concessions holders; and (iii) a formalized standard methodology for the

assessment of investment projects including climate aspects. Criteria for the selection of investment projects which integrate the climate dimension, the enactment of hydrocarbon-related tax laws that eliminate existing tax exemptions, the preparation of a tax arrears inventory including quantified recovery probabilities, and a stock-take of the hydrocarbon-related VAT administration were all implemented with delay. The finalization of the SIGFIP modules for accrual accounting and program budgeting continues. Two PFM reforms are so far not implemented: (i) the update of the EDP pricing formula to account for improved efficiency of CORAF and (ii) the full operationalization of SIGFIP. All reforms targeting debt management and governance issues were implemented, with less than half having experienced some delay. The former group comprised (i) the preparation of medium-term debt management strategy, (ii) the publication of annual debt reports including guaranteed and unguaranteed debt of the 10 largest SOEs, (iii) the approval of a new organigram for the CCA, (iv) the publication of quarterly debt reports including data on stocks and flows in the debt of the central government and SOEs, and (v) the development of an action plan for implementing open recommendations from the 2018 governance diagnostic report. Reform measures targeting (i) the reorganization of the CCA, (ii) the parliamentary approval of the new anti-corruption law, (iii) the publication of a decree clarifying conflict-of-interest rules and procedures, and (iv) the publication of high-level officials' conflict-of-interest declarations were implemented with some delay. Finally, a reform measure on (i) social spending, i.e., a CFAF 6 billion increase in resources available for social transfers under PNFS (refinement of a missed SB requiring a 15 percent increase for cash transfers under Lisungi and Telema) has been implemented with delay, while out of two measures due in the area of (ii) transparency, the online publication of oil reconciliation reports and of a table with all mining, forestry, and oil concessions holders has been implemented on time but the full establishing of EITI compliant public cadasters for mining and forestry, has never been met as the authorities pointed to the lack of resources to digitize the existing cadasters.

C. Overall Assessment

8. **Overall, under the expiring ECF arrangement Congo has successfully consolidated it fiscal balance, reduced its external public debt, and restored economic growth momentum.** Fiscal consolidation and the reduction of external public debt have been sizeable over the last three years. Additional non-hydrocarbon revenues have been mobilized, even if not all opportunities available have been exhausted. Meaningful structural reforms have been initiated, a part of which has been completed, while others—including some reforms added to the agenda with delay—should continue in near future. For the latter, as well as for those where implementation is not continuing, limited progress is owed to capacity and/or resource constraints and political concerns. Economic growth strengthened under the ECF arrangement preparing the ground for the revival of economic growth momentum projected to last over the near-term future, even as initial ambitious projections did not fully materialize (Fig. 2.1), in particular as economic diversification progressed at a slower pace than previously anticipated (Fig. 2.2).

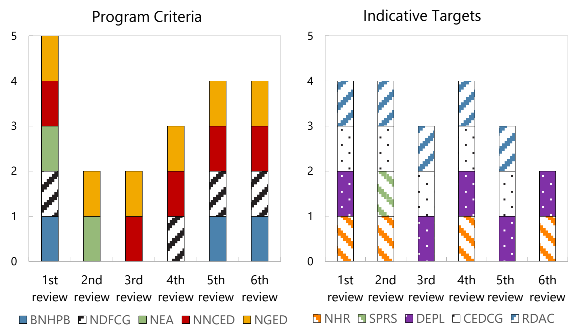
9. **Notwithstanding the progress made under the ECF arrangement; reforms should continue to enhance Congo's future economic growth potential.** Recently surfaced funding challenges should be addressed vigorously to avoid a re-intensification of debt vulnerabilities.

Gradually growing fiscal space should drive efficiently managed social spending and public investment into essential public infrastructure. Reform efforts covering the sustainable shoring up of fiscal revenues, PFM, digitization, financial market deepening, better governance, additional transparency, and promotion of the business environment need to continue to preserve the economic growth momentum over the medium to long term. The development and application of prudent risk management practices should result in the build-up of resilience against future macroeconomic shocks, including those from climate change.

Figure 1. Republic of Congo: Performance under the ECF arrangement, 2022–2024

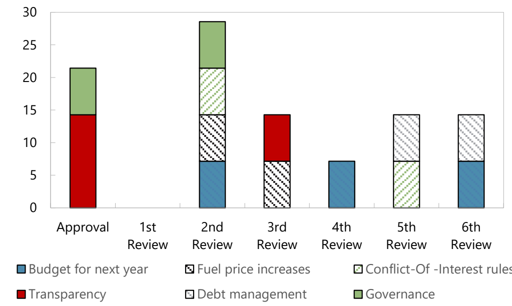
The temporary accumulation of external arrears and the under-execution of social spending remained persistent...

Cumulative Number of Criteria Met



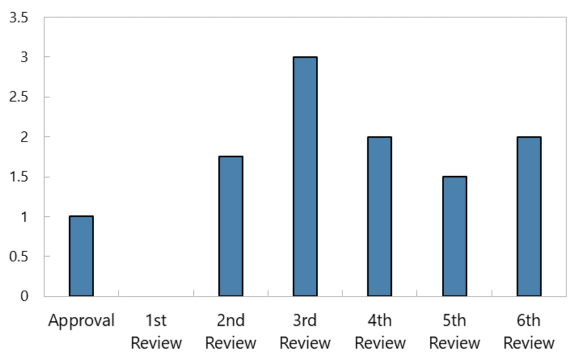
...while prior actions corrected the impact of previously unmet conditionality.

Prior Actions Completed
(Percent of program total)



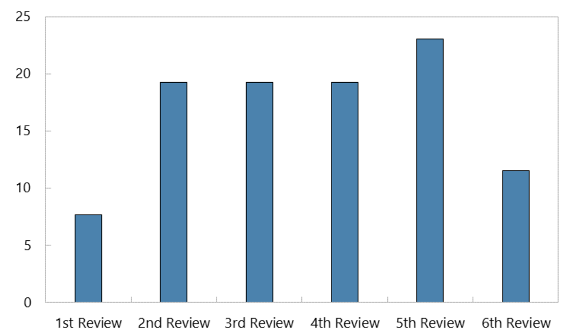
The intensity of prior actions increased in reaction to mixed performance in meeting conditionalities.

Average Intensity of Prior Actions
(Scale of 1-9: product of scope and severity, both 1-3)



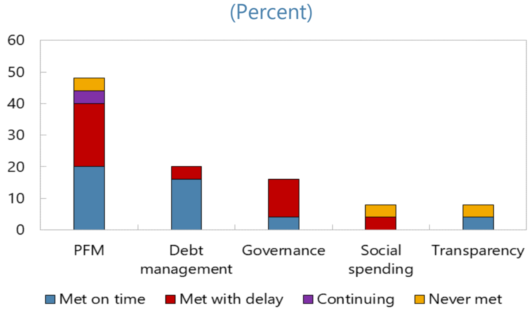
Despite an intensification of structural reform targets over the course of the ECF arrangement....

Share of Structural Benchmarks
(Percent)



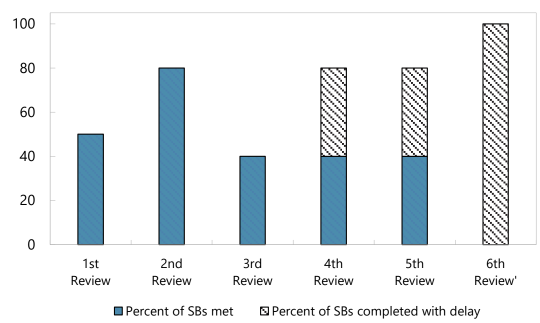
... some SBs targeting PFM reforms, social spending and transparency remain to be implemented, ...

Share of Structural Benchmarks
(Percent)



... as structural reform progress left space for further acceleration.

Share of Structural Benchmarks Completed
(Percent)

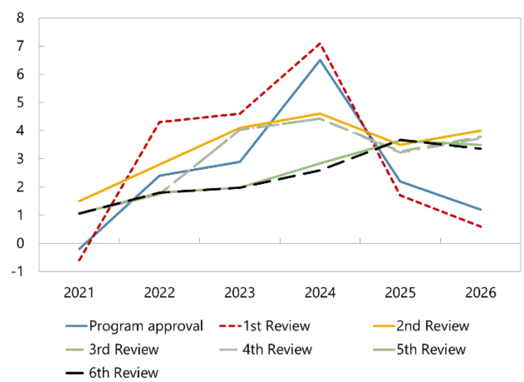


Sources: Congolese Authorities and IMF Staff Estimates and Projections
Notes: For acronyms used in panel 1: BNHPB = basic non-hydrocarbon primary balance; NDFCG = net domestic financing of the central government, NEA = new arrears on external debt contracted or guaranteed by the central government; NNCED = new non-concessional external debt; NGED = new external debt contracted by or on behalf of the central government guaranteed with natural resources; NHR = nonhydrocarbon 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 continuously for the period between two ECF reviews. For panel 3: Individual prior actions are qualitatively assessed on scales from 1 (low) to 3 (high) with respect to scope and severity. The average over the products of the two measures across prior actions required at each review vintage is hence reported on a scale of 1 (low) to 9 (high) as the average intensity of prior actions at each review vintage. For panel 6: see the notes Fig. 1.4 in the main text.

Figure 2. Republic of Congo: Performance under the ECF arrangement, 2021–2026

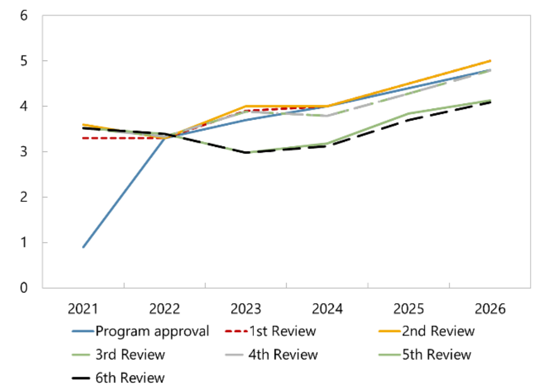
Expected real GDP growth slowed but regained momentum beyond the graduation from the program…

Projected Real GDP Growth
(Percent)



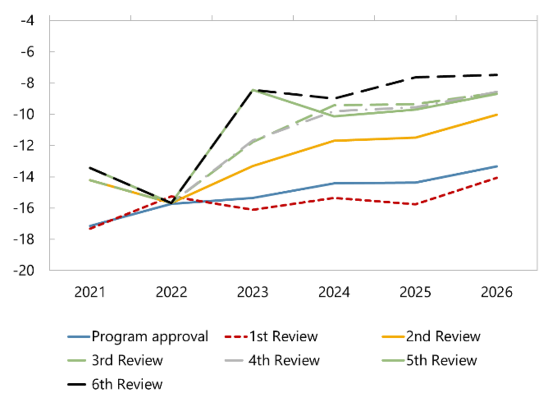
…while non-hydrocarbon growth did not keep up with initial anticipations.

Projected Real Non-Hydrocarbon GDP Growth
(Percent)



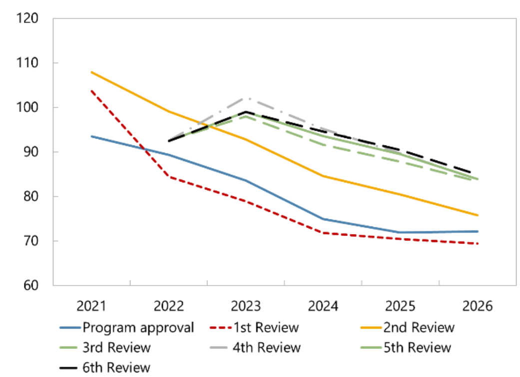
Fiscal consolidation accelerated as previously missed targets required ex-post compensation…

Projected Non-Hydrocarbon Primary Balance
(Percent of non-hydrocarbon GDP)



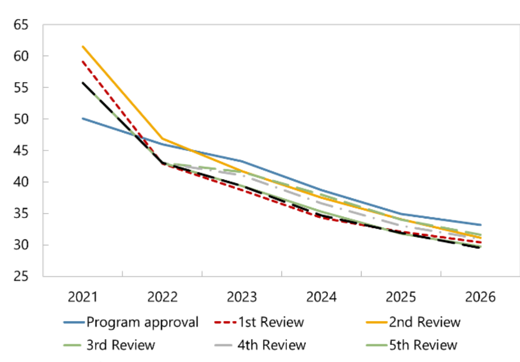
…but tighter fiscal balances did not fully yield the targeted decrease in total public debt.

Projected Total Public Debt
(Percent of GDP)



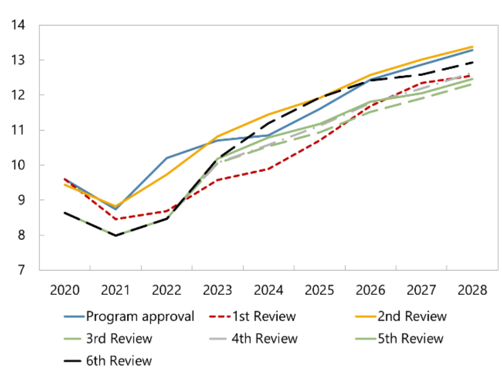
External public debt has been successfully reduced.

Projected Total Public External Debt
(Percent of GDP)



PFM reforms generated additional non-hydrocarbon revenues, but gains remained lower than anticipated.

Non-Hydrocarbon Revenue
(Percent of GDP)



Sources: Congolese Authorities and IMF Staff Estimates and Projections

Annex II. Congo's Domestic Debt Reprofiling Operation

The authorities initiated a domestic debt reprofiling operation, the Programme National d'Optimisation de la Trésorerie (PNOT), in October 2024 to curb Congo's intensifying debt service pressures. This operation involves a maturity extension for CFAF 2,314 billion in government treasuries accompanied by the issuance of CFAF 250 billion in new short-term Treasury bills. The PNOT partially shifts the near-future amortization of Treasury securities beyond 2029 but does not fully address immediate debt service pressures. Further, it entails higher interest payments and exchange commission fees for the government in 2024. Banks holding the exchange treasuries could incur on average a 5.6 percent opportunity cost on a net present value (NPV) basis, and face higher sovereign risks, with potentially negative implications for financial stability, also for the wider CEMAC region.

A. Features of the PNOT

1. **Congo's high public debt (99 percent of GDP at end-2023) has exacerbated debt service tensions and funding risks.** Public debt has remained elevated since 2020 but masks a divergent dynamic between external and domestic debt. While external debt has significantly declined, this has been offset by rising domestic debt and recurrent recognition of domestic arrears (Fig. 1.1 and 1.2). Total debt service is expected to reach CFAF 2,226 billion or 25 percent of GDP in 2024, of which CFAF 1,650 billion (74 percent) account for the domestic debt service. Congo's total debt service will remain at almost 100 percent of government revenues excluding grants at end-2024, implying substantial liquidity risks. The debt service payments to domestic and regional creditors alone will account for 74 percent of government revenues in 2024, 10 ppt higher than in 2023. The relatively short maturities of marketed treasuries—62 percent of which would have matured by end-2026—and Congo's weak debt and liquidity management capacity have increased debt service pressures and rollover risks.

2. **Amid ongoing funding tensions, the Congolese authorities launched in October 2024 the PNOT, characterized as a voluntary reprofiling operation accompanied by the issuance of CFAF 250 billion in new short-term debt.** The PNOT mainly aimed to reduce the peak in domestic debt service payments due in 2025–26 through a voluntary debt exchange operation of CFAF 2,314 billion (USD 3.8 billion; 43 percent of total local currency debt; 26 percent of GDP in 2024) of Congo's outstanding treasury obligations. The plan was to lengthen the maturities of eligible Treasury bills to 52 weeks and Treasury bonds to 2-10 years, while keeping unchanged the face value and interest rate. In exchange, the security holders got a commission fee of 3 percent of the exchange amount. In addition, participating holders (mostly banks) in the Treasury exchange were motivated by the zero-risk weights assigned by COBAC and concerns about the opportunity costs of delayed or missed debt service payments. After reprofiling CFAF 1,136 billion worth of securities—

49 percent of the initial total debt to be reprofiled,[1] the authorities concluded the operation at end-November 2024 (Fig. 1.3). The PNOT liability management operation also involves the issuance of CFAF 250 billion (2.8 percent of 2024 GDP) in new Treasury bills (including CFAF 34 billion to cover the exchange commission fees among other unspecified funding allocations), of which 70 percent has a 52-week maturity and the rest has a 26-week maturity.

B. Impacts on Congo's debt profile

3. The average maturity of exchanged government treasuries was extended to 6.3 years, more than twice its pre-exchange value of 2.4 years. This reflects an extension of the average maturity of Treasury bills from 9 weeks (0.2 year) to 50 weeks and Treasury bonds from 2.8 years to 7.4 years.

4. The debt exchange operation has shifted the near-future amortization path of Congo's treasuries, but the issuance of new short-term debt has increased the total principal payments due in 2025. While the reprofiling operation has postponed CFAF 563 billion of the amortizations due over 2025–29 to 2030–34 (Fig. 1.4), debt service pressures are likely to persist in 2025 as the CFAF 148 billion in postponed principal payments were more than offset by the full amortization of the newly issued CFAF 250 billion Treasury bills. Principal payments will decline in 2026–28, before picking up above the pre-PNOT level from 2030 until 2034.

5. Interest payments on domestic debt will increase substantially, by an estimated amount of CFAF 251 billion (3 percent of 2024 GDP) cumulatively over 2025–34, 45 percent of which will be due in 2025–29 (Fig. 1.5). Interest payments on future government borrowings could be higher should Congo's sovereign risk premium increases market in reaction to the debt exchange.

6. The PNOT will reduce the domestic treasury debt service due by CFAF 455 billion cumulatively during 2025–29, but debt service on domestic treasury is set to increase afterwards. This reduction helps to limit rollover risks and lowers the risk that Congo would need to rely on additional fiscal consolidation in the near future beyond the target of the current ECF arrangement, provided emission discipline is kept in the future. However, liquidity pressures could persist in 2025 as the payments due on the new CFAF 250 billion Treasury bills exceed the deferred amortization implied by the maturity extension operation, if committed fiscal adjustment falls short of target. The post-PNOT domestic treasury debt service is expected to increase by CFAF 796 billion cumulatively in 2030–34.

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[1] The authorities announced CFAF 1,236 billion worth of securities under the first phase of the PNOT, out of which, CFAF 914.7 billion have been exchanged and approved by the regulator and CFAF 222 billion are yet to be approved, while CFAF 99.4 billion will not be executed. The CFAF 1136 billion in exchanged treasuries include CFAF 191 billion in Treasury bills and CFAF 945 billion in Treasury bonds.

C. Macro-financial implications

7. Staff's assessment suggests that PNOT debt reprofiling would imply a 5.6 percent opportunity cost in NPV terms for treasury holders.[2] Accounting for the one-off payment of CFAF 37 billion in exchange commission fees, the PNOT debt reprofiling could cause 5.6 percent NPV opportunity cost to treasury holders as the commission fees fall short of the deep discount of the securities at issuance. Treasury bills holders would suffer a 2.4 percent NPV opportunity cost while the NPV opportunity cost on Treasury bonds could reach 6.2 percent (Fig. 1.6). Four out of 10 financial institutions (mostly banks from the CEMAC region) which participated in the exchange accounted for over three-quarters of the estimated total opportunity cost due to their significant exposures to Congo's sovereign debt.

8. Despite the zero-risk weighting assigned by COBAC, the PNOT could increase the financial risks of participating banks. Banks involved in the debt reprofiling were already exposed to significant sovereign risks, while some were distressed or relied on central bank refinancing for funding. By lengthening the maturity of treasuries, the PNOT intensified banks' exposure to sovereign risks for a longer period and increased the risk of maturity mismatches and liquidity pressures.

9. The prolonged banks' exposure to the government could weaken access to credit, notably for the private sector, which could potentially undermine medium-term growth. Government's access to finance, particularly for longer maturities, could also deteriorate unless banks expand their long-term resources. There are likely spillovers on the regional markets, as other countries seeking to tap the market for medium to long-term bond maturities could face challenges.

10. The authorities' efforts to ward off near-future funding pressures through the PNOT initiative underscore the need for improving Congo's debt management and fiscal discipline. The potential implications of the debt reprofiling for Congo's public finances and regional financial stability require to monitor the associated risks and implement adequate mitigation measures. These include greater fiscal prudence, faster reduction of public debt, and stronger momentum of debt management reforms (Annex I).

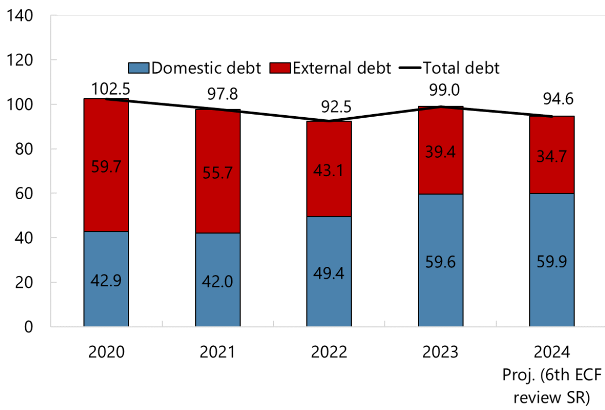
[2] Banks' balance sheets, i.e., their book values, and their FSIs are expected to be affected only marginally, as the current accounting rules in CEMAC allow fair valuation only for securities held less than 6 months, i.e., for transactions purposes. Their relevant discount rates are also expected to align with their cost of capital.

Figure 1. Republic of Congo: Domestic Debt Reprofiling

Congo's public debt remained high,...

Public Debt

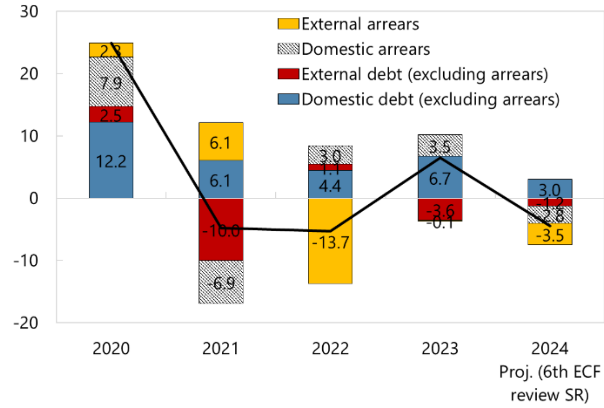
(Percent of GDP)



...partly driven by the accumulation of domestic debt.

Drivers of the Change in Domestic Debt-to-GDP Ratio

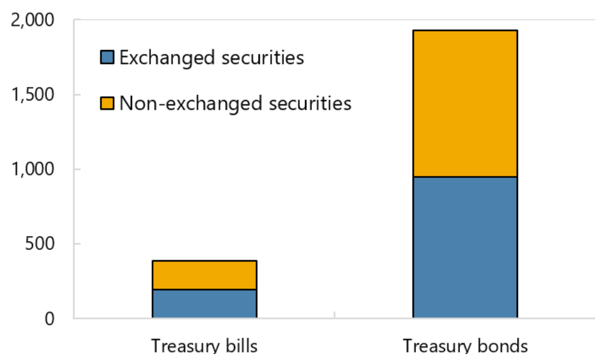
(Percentage Points)



Rising debt service pressures prompted the authorities to extend the maturities of outstanding domestic treasuries.

Exchanged Treasuries Under the PNOT

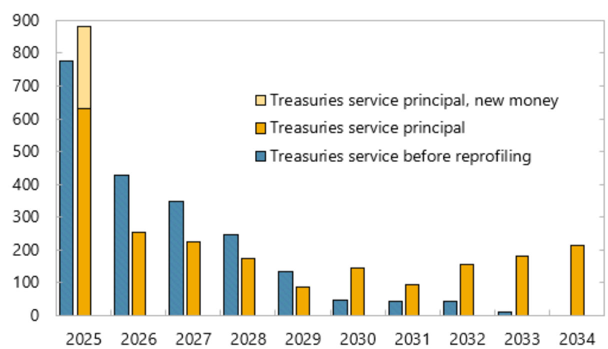
(Billion CFAF)



The debt reprofiling partly deferred the amortizations...

Treasury Debt Service, Principal

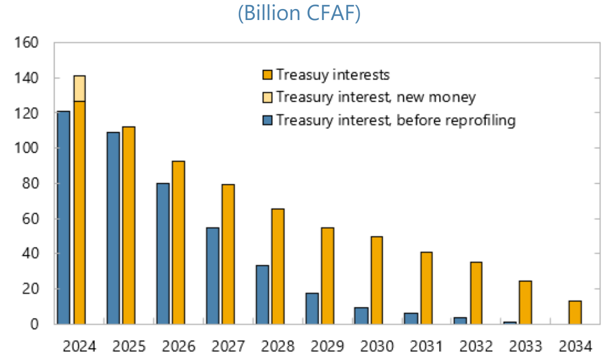
(Billion CFAF)



...and increased interest payments on the treasuries exchanged,...

Treasury Debt Service, Interest

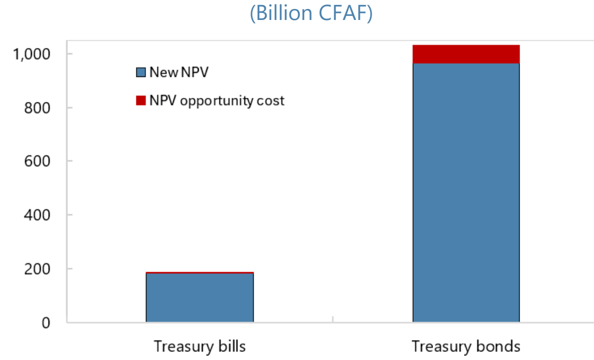
(Billion CFAF)



...while domestic and regional holders of treasuries incurred opportunity costs in NPV terms.

NPV Opportunity Cost Implied by Debt Exchange

(Billion CFAF)



Sources: Congolese Authorities and IMF Staff Estimates and Projections

Notes: For acronyms used in Panels 1-2: SR = Staff Report; Panel 3: PNOT = Programme National d'Optimisation de la Trésorerie; Panel 6: NPV=Net Present Value. For Panel 5: interest payments atter the PNOT debt reprofiling do not includes exchange commission fees ranging from 1 to 3 percent.

Annex III. Risk Assessment Matrix[1]

Risks	Likelihood	Impact if Realized	Policy Response
Conjunctural risks			
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism 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 and overall, they may exacerbate debt sustainability pressures. Security issues in the Central African region could result in fiscal pressures.	Continue fiscal and structural reforms to reduce external imbalances and build buffers, enhance competitiveness, and deepen regional integration.
Commodity price volatility. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures, and food insecurity 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 high oil revenues: (i) to build up fiscal buffers and proceed with structural reforms aimed at diversifying the economy, enhancing competitiveness, and deepening regional integration; and (ii) continue with reform measures that reduce Congo's vulnerabilities and attract investments to the country. Accelerate mobilization of non-oil revenues and further streamline non-priority spending. Bolster social assistance programs to help the most 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
Global growth surprises: **Slowdown.** Growth slowdown in major economies, including due to supply disruptions, weaker-than-expected oil demand, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs.	Medium	**High** With limited fiscal space, this could hold back investment, 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.
Acceleration. Positive supply-side surprises, monetary easing, productivity gains from AI, and/or stronger EMDE performance raise global demand and trade, and ease global financing conditions.	Low	**Medium** Additional fiscal space due to a more robust demand for Congolese exports could support economic recovery and alleviate debt vulnerability pressures.	Promote export diversification and address skill mismatch to boost productivity, employment, and growth.
Monetary policy calibration. Amid high uncertainty and data surprises, major central banks' stances turn out to be too loose, hindering disinflation, or too tight for longer than warranted, which stifles growth and triggers increased capital-flow and exchange-rate volatility in EMDEs.	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.
Sovereign debt distress. Domino effects from high global interest rates, deteriorating debt sustainability in some AEs, unfunded fiscal spending, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, amplified by sovereign-bank feedback, resulting in capital outflows, rising risk premia, loss of market	Medium	**High** With limited fiscal space, this could jeopardize economic recovery, exacerbate debt sustainability pressures, and require additional fiscal tightening.	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.

Risks	Likelihood	Impact if Realized	Policy Response
access, and contraction of growth and social spending.			
		Structural risks	
Deepening geoeconomic 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. Stocks/inventories management and improve distribution mechanism. Improve efficiency of custom administration.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	**Medium**	**Medium/ High** Lower domestic production in the agricultural sector, increased diversion of critical development resources towards climate disaster emergency response, 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 make budgetary room for catastrophe contingency planning. Promote economic diversification and carefully consider public investment in hydrocarbon sector.

Appendix I. Letter of Intent

Brazzaville, February 7, 2025

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 prepare the base for 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. As we continue to face high debt levels and recently observed funding challenges, we initiated a reprofiling of a substantive part of our outstanding treasuries issued on the regional market. We see progress in restoring our fiscal position, for example the spending discipline throughout 2023–24 that facilitated strong fiscal consolidation despite recurrent downward surprises in oil revenues. An improved debt service profile, 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 in the sixth review under the three-year ECF arrangement has been mixed. All performance criteria (PC) set for end-June 2024 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 and liquidity management. Strong corrective measures were taken. We plan to fully repay all newly accumulated external arrears, including to multilateral creditors, and have taken steps to improve our cash flows, with the view to ensuring timely debt service for the future. In this regard, we consolidated our 2024 non-hydrocarbon primary deficit by an additional 1.1 ppt of non-hydrocarbon GDP and committed under the ECF to additional fiscal adjustment in coming years that is also enshrined in 2025

budget submitted to parliament. We have met two out of five indicative targets for end-June 2024, while missing the targets for social spending, the limit on new concessional loans and the repayment of domestic arrears, albeit only narrowly in most cases.

4. Progress in structural reforms is continuing despite delays, for example, with the funding provided to our national social transfer program and the elimination of value-added tax exemptions in the hydrocarbon sector by the enactment of respectively modified tax laws. The accrual accounting and program budgeting modules of our country's financial information system SIGFIP are expected to be finalized by end-April 2025. Subsequently, we will continue to strive for the full operationalization of SIGFIP at the earliest date possible.

5. Bearing in mind the achievements made under this ECF arrangement, we look forward to continuing with discussions preparing the ground for a potential future request of ours for a successor arrangement.

6. The attached Memorandum of Economic and Financial Policies (MEFP), which supplements the one signed on June 19, 2024, describes the recent economic and financial situation, and presents the economic and financial policies that the government intends to implement during 2024–25. Disbursements under the arrangement will be subject to observance of the performance criteria, structural benchmarks, and prior actions shown in Tables 1, 2 and 3 of the attached MEFP.

7. 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.

8. 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 remains committed to pursue fiscal consolidation and will ensure compliance with the requirement to repatriate export proceeds, particularly for oil.

9. Bearing in mind the program achievements to date and the commitments set out in the MEFP as well as the agreed prior actions, we are requesting (i) a waiver of non-observance for the continuous performance criterion on the non-accumulation of new external arrears; and (ii) completion of the financing assurances review and the sixth 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.

10. 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. The government authorizes the IMF to publish this letter and its attachments, as well as the staff report, and the debt sustainability analysis, once the review is approved by the IMF Executive Board.

Sincerely yours,

..../s/

Christian Yoka

Minister of Finance and Budget

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 2024–25 and the medium term, the program objectives, and the policies and measures to achieve them.

I. BACKGROUND, RECENT ECONOMIC TRENDS, AND OUTLOOK

1. Economic recovery continues despite a challenging economic environment.

- Economic growth is expected to reach 2.6 percent in 2024, mainly supported by resilient activity in the non-hydrocarbon sector, which is set to grow by 3.1 percent. However, persistent operational weaknesses in the oil sector continued to affect production, which fell 5.8 percent year-on-year in the first half of the year. Growth is projected to reach 3.7 percent in 2025 and remain around 3.6 percent on average over the medium term (2026–29), driven mainly by a good performance in the non-hydrocarbon sector.

- Inflation is expected to trend downwards on average but remain slightly above the subregional target over the 2024–26 period.

- The current account surplus is expected to have moderated to 1.3 percent of GDP in 2024, from 6.5 percent of GDP in 2023, largely due to the decline in oil process and the increase in imports in the oil sector. This trend is set to continue in 2025 and over the medium term, giving way to a deficit from 2028 onwards. This shift is attributed to lower oil exports and higher imports linked to the expected increase in investment in the non-oil sector, despite the growth in goods and services exports from the non-hydrocarbon sector.

- Net foreign assets reached CFAF 329 billion at end-June 2024, up 57 percent compared to end-2023, owing to a significant increase in the foreign assets of commercial banks. In contrast, the Central Bank's net foreign assets declined significantly, mainly in connection with the repayment of external debt servicing and are expected to remain at a level lower than that of 2022 by the end of the year.

- 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 restructuring of fragile banks, the banking system's significant exposure to sovereign risk, and the impact of the domestic debt reprofiling operation recently adopted by the government (paragraph 13).

2. Fiscal consolidation progressed faster than expected in the first half of 2024 and is expected to continue to meet the 2024 target set under the ECF program. The non-hydrocarbon primary deficit stood at CFAF 277 billion, 168 billion less than expected. This reduction is mainly due to the under-execution of social and investment expenditures. On the revenue side, it results from better performance in hydrocarbon revenues and higher than expected direct tax collection. The improvement in the fiscal position is expected to continue in 2025 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 2024–25 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 subregion and throughout the world, more frequent and intense climate change shocks, and reduced long-term global oil demand. Tackling these challenges and exiting fragility requires 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 public 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 reforms and policies of the CEMAC subregion and by our technical and financial partners.

5. Building on the ECF's support in driving recent reform progress, we look forward to continuing discussions to prepare the ground for a potential future request for a successor arrangement.

A. Fiscal Policy

Fiscal policy is aimed at preserving debt sustainability while facilitating priority spending linked to reducing poverty and boosting economic diversification, resilience, and growth.

6. Fiscal consolidation continued in 2024, in line with the ECF program framework. The non-hydrocarbon primary deficit is projected to be CFAF 631 billion (9 percent of non-hydrocarbon GDP). This fiscal target is expected to be achieved primarily through the following measures:

- Recent reforms to liberalize fuel prices and phase out subsidies to public enterprises: total oil-related transfers (including to Centrale Electrique du Congo (CEC)), as well as subsidies for public transport, kerosene, and butane gas, will be limited to CFAF 74 billion in 2024, while those for Société Nationale des Pétroles du Congo (SNPC) and Congolaise de Raffinage (CORAF) will be phased out entirely.

- This phasing out of fuel subsidies is in line with the process of the deregulation of fuel prices. 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. Taking into account the recommendations of the IMF technical assistance mission on the assessment of subsidies for petroleum products, we have terminated the 2022-2023 food crisis resilience plan and, consequently, all resulting price structures. We are taking steps to ensure a systematic collection of customs duties and VAT on imported fuels, and to enable a direct collection of fuel taxes by the relevant administrations. We plan to (i) liberalize the international Jet A1 price; (ii) increase the price of the national Jet A1 by 30 percent; and (iii) reform the collection of items in the petroleum product price structure by assigning distribution companies the responsibility for collecting sovereignty items. This aims to enhance the effectiveness of their mobilization and improve the administration of taxes within this economic subsector.

- Selective prioritization of capital spending identified as essential in the National Development Plan through limiting exceptional procedures and rationalization of the growth in goods and services spending to prudent levels.

- Continued growth in social and development spending, although still below the ECF floor. We are focusing on improving the efficiency, quality, and coverage of this spending, while encouraging innovation:

    - In education, we continue to focus on all levels of the school system, but we are providing free school supplies, textbooks, and school meals only for primary school. We are continuing to expand the number of educational facilities and the recruitment of teachers. Expenditure on primary and secondary education expenditure reached CFAF 83 billion at end-September 2024, representing a 51 percent execution rate compared to the annual amount provided for in the 2024 budget.

    - With regard to social protection, and in order to support households facing the secondary effects of the phasing out of fuel price subsidies and high food prices, the 2024 budget earmarked an allocation of CFAF 54 billion, CFAF 29 billion of which had been implemented by end-September 2024 (i.e., an execution rate of 55 percent). This includes the National Social Safety Net Program (PNFS), with a budget allocation of CFAF 12 billion in

[1] We commit not to grant new subsidies on petroleum products to productive sectors, thereby creating price differentials with prices at the pump. We will ensure that certain sectors also introduce the market price, such as aviation kerosene.

2024, and the cash transfer program. As a reminder, we increased the resources allocated to cash transfer programs under the Lisungi and Telema projects in 2023 (structural benchmark not met at end-July 2023). The PNFS for the period 2024–26 will pay solidarity and integration 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 emergency social distress. The anchoring of social 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. Social spending was under-executed by the end of September 2024 owing, among other things, to its late commitment. The Treasury made available CFAF 6 billion for the PNFS account at end-August 2024 (structural benchmark not met by end-July 2024) and cash transfers to beneficiaries continue to experience delays due to certain operational difficulties. More generally, we are committed to continuing to hold quarterly meetings between the Ministry of Finance and the ministries and agencies concerned to improve the monitoring of the execution of social spending.

  - Capital expenditure is expected to reach CFAF 371 billion (5.3 percent of non-hydrocarbon GDP) in 2024, compared to 4.5 percent of non-hydrocarbon GDP in 2023. 47 percent of these investments will be financed by development partners. Priority development projects are aligned with the new 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, in particular by ceasing to automatically replace retired staff (except those in the Health, Education, and Social Affairs ministries) and restricting recruitment in the public sector.

- Continued efforts to mobilize non-hydrocarbon tax revenues, which are expected to increase by 143 billion in 2024. The new tax measures introduced, aimed at broadening the tax base and streamlining tax expenditures, include: (i) the partial cessation of exemptions; (ii) the gradual increase in excise duty rates 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;[2] and (iv) the digitization of tax procedures, including the full implementation of E-TAX and the interconnection of the tax administration.

[2] However, in an effort 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.

- Maintaining 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 non-compliance with conventions on establishment; the elimination of exceptional customs exemptions; and improving the collection of arrears on tax 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 undertaking 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 hope to reduce tax payment delays by leveraging the benefits of the ongoing digitization of the tax administration and of the complete payment chain and posting in the accounts.

- With respect to revenues from the hydrocarbons sector:

    - The revision of the regulatory framework for the taxation of upstream oil operators generated additional revenues of CFAF 17 billion in 2023 and CFAF 22.3 billion by mid-November 2024.

    - The abolition of VAT and customs duty exemptions for SNPC (which should yield CFAF 11 billion) and the imposition of VAT on the distribution entry price (which has already yielded more than CFAF 22 billion) are in effect. In addition, SNPC paid out approximately CFAF 26.1 billion in dividends in October and November 2024. The extension of regular dividend payments to other SOEs could generate additional revenue. Just over CFAF 2 billion has already been paid by other companies other than SNPC.

    - Part of the oil revenues net of external debt service expected for 2024 will finance the budget, but the majority will be used to repay the debt and arrears as well as to build up 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. If these risks materialize, contingency measures include rationalizing non-essential spending and slowing down capital spending and the payment of domestic arrears.

7. Fiscal consolidation is expected to continue in 2025, with a budget in line with the parameters of the ECF program (prior action). We have submitted to Parliament a budget law providing for a non-hydrocarbon primary deficit of CFAF 575 billion, or 7.6 percent of the non-hydrocarbon GDP. This objective will be achieved mainly through recent reforms (paragraphs 6 and 9) aimed at strengthening the mobilization of fiscal resources. These reforms include: (i) repealing the resilience plan through a government decree in October 2024, ending a broad range of customs duty and tax exemptions introduced since the Covid pandemic; (ii) increasing excise tax rates to align with CEMAC guidelines; (iii) strengthening tax administration through the implementation of digital taxation and invoicing systems; (iv) broadening the VAT base in the upstream hydrocarbon sector with World Bank support; and (v) operationalizing the collection of property tax. On the expenditure side, we will continue our efforts to streamline and prioritize, mainly by (i) rationalizing the wage bill by restricting new hiring to priority sectors such as education, health, and social services; and (ii) prioritizing capital projects with the highest returns and feasibility for completion withing existing funding constraints. Furthermore, we reaffirm our commitment to enhancing the effectiveness of social spending by ensuring close monitoring of the relevant ministries.

8. The medium-term fiscal stance will remain anchored in gradual consolidation of the non-hydrocarbons primary balance, which should narrow by 3.9 percentage points of non-hydrocarbon GDP, which is to say, 3 percentage points of GDP between 2025 and 2029. In line with the measures undertaken in 2024 and planned for 2025, this fiscal adjustment will be based on increased mobilization of non-hydrocarbon tax revenues, which are expected to increase by 1.2 percentage points of non-hydrocarbon GDP between 2025 and 2029, as well as on rationalization of non-priority expenditure. In particular, oil-related transfers are projected to decrease by 0.2 percentage points of non-hydrocarbon GDP between 2025 and 2029. Revenues from the hydrocarbons sector, on the other hand, after falling by 2.7 percentage points of non-hydrocarbon GDP in 2024, are expected to decline gradually over the medium term to reach 12.8 percent in 2029, given the expected ageing of oil fields. Maintenance of a surplus position in the overall primary balance will allow repayment of both foreign debt and domestic arrears. The public debt-to-GDP ratio is expected to gradually decline from 94.6 percent in 2024 to 63.3 percent by 2029.

9. To achieve these objectives, we plan to implement the following measures:

- Improve administration of hydrocarbons-related VAT and eliminate the corresponding VAT exemptions. To this end, we have finalized a comprehensive stock-taking of the administration of hydrocarbons-related VAT (including exemptions). The promulgation or adoption of the related tax laws was carried out with some delay (structural benchmark not met at end-September 2024). Decree No. 2024/2244 of October 17, 2024, establishing the classification of petroleum products and the petroleum product pricing methodology, replacing the 2005 decree, was adopted by the government during the year. This decree imposes VAT on the entry price for distribution for petroleum products and confirms the application of customs duties on quantities of these imported products. We plan to regulate the collection of the price structure items to ensure full collection by the government of sovereignty items, in order to empower the sector's administrations and guarantee their efficiency.

- Develop an action plan for streamlining non-hydrocarbon tax exemptions. Previous IMF TA estimated that VAT exemptions cost the budget at least 1 percent of non-hydrocarbon GDP and other tax exemptions cost 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, in particular 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 the World Bank assistance, we will start a dialogue with all stakeholders in the customs clearance chain with the aim of making the Single Window fully operational by end-December 2024.

- Continue to increase excise duties: on tobacco from 22.5 percent in 2023 to 30 percent in 2025; on alcoholic beverages from 17.5 percent in 2023 to 25 percent in 2025. 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 directives.

- Prioritize the reforms of SOEs, especially for CORAF and CEC, with a view to (i) substantially reducing the transfers and subsidies to CEC and (ii) increasing the transparency of SOE operations. We will study the production costs of CORAF and CEC and an action plan will be put in place to increase their efficiency (paragraphs 25 and 26).

- Monitor medium-term fiscal risks in order 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).

10. The repayment of external debt maturities continues despite some operational difficulties. In particular, external debt servicing, including interest payments, is expected to fall by 5.6 percentage points of non-hydrocarbon GDP over the period 2024–2029. Since the conclusion of the fifth review of the ECF arrangement (IMF Country Report 24/251), and despite efforts to avoid a recurrence of arrears, we have accumulated CFAF 68.5 billion in external arrears but have cleared CFAF 57.4 billion by end-January 2025. As regards arrears to Libya, we are exploring options in close coordination with the creditor to achieve a full resolution. We are committed to fully clearing all external arrears of the program newly accumulated during July 2024-January 2025, including to multilateral institutions accumulated during the second half of 2024 (prior action). The government reaffirms its determination to avoid any further accumulation of external arrears, relying on the recent reorganization of the Caisse Congolaise d'Amortissement (CCA) and on the dedicated working group, created in March 2023 and including the Office of the Minister for Economy and

Finance, the CCA, the Central Bank, and the Treasury. 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 (¶15). 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. Regarding the TSA, in accordance with the project's initial timetable, the harmonized TSA convention has been approved by the government in November 2024. The next step involves the signature of the convention between the BEAC and the authorities, a key step for the operationalization of the TSA in Congo.

11. At the same time, 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 1.733 trillion (26 percent of non-hydrocarbon GDP) at the end of 2023. We repaid 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 164 billion of arrears. We intend to repay all of 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 a discount; and (iii) the payment of domestic commercial arrears, for which haircuts will be applied on the basis of three methods, depending on the amounts due and when payment is expected. In accordance with the decree setting out the terms and conditions for the repayment of domestic arrears, in March 2024 the government paid all validated commercial loans of less than CFAF 10 million. The second stage was, according to the decree setting out the terms and conditions for the repayment of domestic arrears, to choose one of the three proposed haircut options by June 30, 2024, at the latest. Despite recent delays in repayment of domestic debt, we are making every effort to avoid the emergence of new stocks of arrears and to stabilize the stock of debt. In particular, 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 during audits, including CFAF 32.5 billion in social debt. We have also taken preventive measures. To avoid further social security contribution arrears, we commit, as from the 2024 budget, to: (i) better budgeting 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) ensuring through audits that the government entities are up to date with their social security contributions; and (iii) conducting 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, with a view to better controlling domestic debt, we will ensure strict use of registered bond certificates and inform the CCA before any new issue with a view to their inclusion in the current year's domestic debt.

12. Risks to the fiscal policy stance stem mainly from the volatility of oil prices, the availability and cost of financing in domestic and subregional financial markets, and

persistent liquidity management problems. The risk of negative shocks to oil prices could, however, be mitigated by servicing the debt to the two largest external commercial creditors. Regarding financing on the subregional market, the issuance of public securities by the government has increased significantly over the past five years. The Republic of Congo has led the region in terms of the issuance of government securities over the past year compared to other countries in the subregion, with a share representing more than 1/3 of the total of issuances on the subregional market. However, certain 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.

13. In October 2024, we set up a National Treasury Optimization Program (PNOT) aimed at extending the average maturity of domestic public debt through early refinancing of existing securities, including Treasury bills (*Bons du Trésor Assimilable* - BTAs) and Treasury bonds (*Obligations assimilables du Trésor* - OTAs), the outstanding amount of which stood at CFAF 2.314 trillion at end-September 2024. This proactive public debt management program will increase fiscal space in the short and medium terms and reduce domestic public debt refinancing needs in the coming months. The PNOT was defined in order to contribute to the proper functioning of the regional market for government securities and to consolidate the balance sheet situation of domestic and regional banks. This exchange operation for new government securities (BTAs and OTAs), which is neutral in terms of nominal value, is based on a proactive and voluntary consultation process with the various financial institutions holding government securities, including the central bank. We concluded the operation as of end-November 2024 after considering CFAF 1,236 billion worth of securities, of which CFAF 914.7 billion have been exchanged and approved by the regulator, CFAF 222 billion are yet to be approved, and CFAF 99.4 billion will not be executed.

B. Public Investment and Debt Management

14. The government is committed to improving public investment management, which is fundamental to improving the efficiency of public spending. To this end, the budgeting of public investments in accordance 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 budgeting, which is scheduled to start in 2025. In order to rationalize budget allocations, projects without feasibility studies completed by end-2022 were not included in the 2024–25 budgets.

15. We will only execute projects that are included 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 the end of 2022. Since 2023, procurement has been based on 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." We have also issued two decrees to speed up approval of public procurement. 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.

16. 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 program that will prioritize projects based on considerations such as the National Development Plan 2022–2026, the need to accelerate economic diversification, international commitments—such as the SDGs, the African Union's Agenda 2063, and CEMAC's economic and financial reform program—and the cost-benefit analysis. The staff of the ministry responsible for the plan involved in the process of preparing the national budget have received training in models for prioritizing public investment projects and in some 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.

17. 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, on the basis of 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 fiscal 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. Up to now, Decree No. 2024/106 of March 25, 2024, setting the general framework for the management of public investments integrating aspects related to climate change, has been prepared and issued. The implementing provisions of the decree are being finalized, in particular the provisions on the maturation of projects and those setting out the arrangements for the management of the public investment project study fund as well as its operational appendices. These provisions and operational documents are produced with World Bank support through the Accelerating Governance Institutional Reforms for Sustainable Services (AGIR) Program.

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

19. Within this framework, in July 2022 we prepared a comprehensive debt management strategy for 2023–2025. Taking into account the constraints and requirements of debt sustainability and the commitments made under the ECF-supported program, the government will renew the same strategy, especially since it covers the period 2023–2025. 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 (paragraph 18). 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 extend the maturities of CEMAC market instruments by increasing the proportion of medium- and long-term government securities with a view to reducing rollover risk. Efforts will be made to improve the predictability of issuances and communication with investors (paragraph 21).

20. To enhance the credibility of the debt management strategy and improve coordination between debt managers and the budgetary authorities, the medium-term debt strategy and borrowing plans added to the budget as well as those implemented should 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.

21. In order to improve 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 region. 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. To date, the Treasury's consultation framework with the primary dealers exists on an informal basis. A ministerial decree formalizing the framework and a calendar of meetings are expected.

22. To align with international standards, the reorganization of the CCA has been finalized. Law 2/2024 of February 8, 2024, establishing the CCA was adopted by Parliament and promulgated. In addition, Decree No. 2024/1880 of May 27, 2024, approving the statutes of the CCA has been issued. In addition to the appointment of the central directors, the CCA's staff has been strengthened by the recruitment of 40 staff members in various profiles, following the call for applications procedure. The necessary training has progressed, and the new procedure manual has been adopted and is currently being updated. In order to develop staff capacities, starting in March 2023, we began implementing a training program with technical assistance from the IMF, the World Bank and the AfDB. These training courses covered the debt management reform plan and the AfDB's lending rules and procedures. These improvements will be crucial in strengthening debt management operations (including the issuance of public securities), debt monitoring, transparency, portfolio risk management, and accountability. We are committed to ensuring better sharing of information across the CCA, the Treasury, and the BEAC.

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

- We are endeavoring to regularly publish the monthly public debt statistics on the Ministry of Economy and Finance website. We have published the statistical bulletin on public debt for the first quarter of 2024. The editions for the second and third quarters are currently being finalized. Concerning SOEs, a ministerial order was adopted at end-November 2021, requiring the 10 largest SOEs to provide data on their guaranteed and non-guaranteed 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. The updated data are currently being processed for future publication. With Technical Assistance from the IMF and the World Bank, we have refined this information and provided more details on the composition of SOE debt. To take account of these developments, an update of the Ministerial Order and the reporting template for SOEs is planned. We are also committed to broadening the scope of the debt statistics to cover a greater number of enterprises.

- We are committed to (i) improving the recording of debt data and (ii) continuing to publish the debt statistics bulletin on a quarterly basis, while improving its informational content. We will also publish annual projections of domestic and external debt, both guaranteed and non-guaranteed, of the central government, SOEs, public institutions, and local authorities.

C. Safeguarding and Improving Use of Energy Resources

24. 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, has been produced (¶9). The new price structure will free up additional fiscal space to strengthen the financing of social sectors. 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.

25. We are developing an action plan for the next phase of reforms aimed at significantly reducing transfers and subsidies to CEC. To this end: (i) government subsidies to CEC will comply with the budget law by respecting the credit ceilings set out in the macroeconomic framework. They will continue to be based on quarterly reports on CEC's expenses and turnover, including claims on the energy sector. Implicit subsidies will be reduced through strict enforcement of regulations; (ii) the government will communicate the level of appropriations for CEC under budget laws by requiring it to make management efforts; and (iii) the government will continue to take strong measures to preserve its operational viability by reducing losses in the short term and recovering production costs in the medium term. Efforts are being made to improve the electricity billing process and coverage to reflect actual electricity consumption.

26. With regard to CORAF, the government is committed to continuing the effective implementation of the performance contract. During the first quarter of 2024, a review of the performance contract was carried out and it led, among other things, to modification of certain targets, including a downward revision of the economic adjustment coefficient, which was set at 8 percent for 2024. Moreover, efforts to reduce CORAF's operating and administrative costs are envisaged, with only prudent investments to be made. CORAF will make full payment for the crude oil supplied by the government, with the payment deposited on the TSA when it is operational. The government crude oil delivered to CORAF in 2023 was paid for on the Treasury account and the 2024 deliveries have been regularly paid for. In addition, CORAF will be responsible for sales of petroleum products directly to distribution companies as well as for the actual collection of revenues from the sales.

27. 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 clarified the collection of VAT on petroleum products by means of a government decree (Decree No. 2024/2244 of October 17, 2024, setting out the classification of petroleum products and the methodology for determining the prices of petroleum products). In October, a customs procedure was introduced at the SNPC for imports of petroleum products. These are now recorded in customs files. These imports are therefore subject to customs duties in accordance with the regulations in force. The government has ended the 2022–23 food crisis resilience plan, thereby removing fuel subsidies to certain sectors. This reform will improve the mobilization of customs duties in general. We have collected 22 billion in VAT on petroleum products. A greater mobilization is envisaged for 2025 with the new mechanism for the collection and transfer by companies distributing and marketing petroleum products—a reform in line with the recommendations of the technical assistance mission conducted by IMF teams. In the TOFE, we record the receipts of the stabilization fund for petroleum product prices. This fund, which should be supplemented by (i) national budget appropriations, (ii) surpluses between the sale price and the distribution entry price, and (iii) income from the line "contribution to the stabilization" of price structures, has been replenished since the beginning of the year exclusively by amounts mobilized from the price structure. It is debited on the joint order of the ministers responsible for finance and hydrocarbons. At end-October 2024, the balance of this account was CFAF 10.7 billion.

28. The government will take additional measures to improve the transparency and revenues of the hydrocarbons 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 the end of 2024 and made public 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 implementing provisions on the procedures for monitoring, controlling, and verifying the upstream activities of the hydrocarbon sector, which makes it possible to improve the effectiveness of controls on oil and gas works. The audit campaigns, which will now comply with the new decree, will continue on all of the oil permits in force. If necessary, we may also request IMF technical assistance on best practices in natural resource management.

29. We will also strengthen our institutional framework and our statistical machinery to take into account 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 the end of December 2024, has already given rise in October 2023 to (i) a round table discussion with all players in the sector to gather suggestions, (ii) the inclusion of relevant suggestions from the roundtable in the existing draft, (iii) transmission to the General Secretariat of the government for reading. During the month of February 2024, exchanges took place with World Bank experts to provide additional comments. This draft code will be submitted to the Council of Ministers before being forwarded to Parliament for consideration 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 (paragraph 41). We could ask for technical assistance to improve local statistical capacity to monitor gas sector data.

D. Reforms of Public Financial Management and Governance

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

- Organic Law 32/2023 of October 25, 2023, defining 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 provisions are currently being prepared.

- 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, as of 2023, with the procurement plan, consistent with the overall template prepared, with the assistance of the World Bank, for all ministries. This committee, which includes representatives of the Ministry of Economy and Finance and the Ministry of Budget, Public Accounts, and the Public Purse, 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.

- As part of the implementation of the TSA at the central bank, we have drawn up a comprehensive list of all commercial bank accounts of central government and public bodies at end-2022 and have closed them. At BEAC, work to migrate the account balances of the Treasuries of Congo, Chad, CAR, and Equatorial Guinea into its books took place from September 1 to November 10, 2024. The provisional acceptance of work to integrate AMS/X flows with the DEPO/X, IC, IPLA, and ACH (clearing system) modules is scheduled to take place from December 23, 2024, to January 24, 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 administration (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 mid-2025.

- We are committed to preparing the transition toward accrual accounting starting from early 2025. We set up a committee tasked with 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 is continuing its preparatory work in 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. In order to begin to meet these challenges, in November 2023 we compiled and published a list of selection criteria (in line with the C-PIMA recommendations), including a climate dimension (structural benchmark, end-September 2023). Moreover, 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 also commit to implement it.

31. 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 budget preparation, 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 SIGFIP implementation were due to funding and capacity challenges that are in the process of being addressed. The functionalities of the SIGFIP related to accrual accounting have not been fully finalized as planned by the end of November 2024 (structural benchmark not achieved), due to delays in the implementation of the tax and customs revenue accounting system. However, notable progress has been made, including (i) budget preparation and execution in program-budget mode, (ii) accounting for expenses on an accrual basis, (iii) the implementation of a cash management module, (iv) as well as commitment plans, (v) execution of public expenditures from commitment to payment, without breaking the chain, and finally, (vi) interconnections with the information systems of customs and tax authorities. We are committed to operationalizing the template for annual performance reports by end-April 2025, and accounting for tax and customs revenues on an accrual basis by the same deadline with a view to finalizing this structural benchmark. To assist with the implementation of the new system, the IMF provided a technical assistance in February 2021 that made it possible to draw up an action plan related to SIGFIP implementation. The government is committed to periodically updating 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 IMF technical assistance missions helped to develop specifications for the implementation of a cash management module and to assess SIGFIP's governance and capacity to implement 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

32. 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.

33. 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 done by committing to operationalize public license registries in the mining and forestry sectors. We have finalized the update of the initial diagnosis with the consultant selected for the development of the information system for the mining sector. The integrated system will be online in the public domain by end-June 2025. We rolled out the system operationalizing the current pilot register of forest industry licenses to all parties concerned at end-January 2024. In partnership with the European Union, capacity development is currently underway for users of the legality module containing land register data. According to the updated schedule, this module will be made operational in the first quarter of 2025 and will now be accessible to the public (although the information required for a complete registry in line with EITI requirements will not be fully included by then). We will then intensify efforts to fill in any remaining data gaps.

34. 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, and developed 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 of Congo's recently published AML/CFT Mutual Evaluation Report.

35. We have improved our anti-corruption regulations and are working to strengthen the rule of law and effective law enforcement. The new anti-corruption law, Law 9/2022 on the prevention and fight against corruption and related offences, was adopted by Parliament in February 2022 and promulgated on March 11, 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 Haute Autorité de Lutte contre la Corruption (HALC - High Authority for the Fight against Corruption), was created by Law 3/2019 of February 7, 2019, establishing the Haute Autorité de Lutte contre la Corruption and 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 have been publishing the annual reports of the HALC on the government website within five days of their being forwarded to the government since 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 HALC website. Likewise, the Ministry of Justice will publish on a quarterly basis, statistics on all indictments and convictions for corruption-related offenses. In order 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.

36. 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 public servants are already covered by this system.[3] 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. To date, more than 590 declarations are accessible to the public on the HALC website as a result of the implementation of the system as provided for by Decree No. 2022 of August 3, 2022, setting out the terms and conditions for the prevention and management of conflicts of interest, as well as Order No. 26619/MJDHPPA-CAB of December 30, 2022, setting out the procedure for declaring conflicts of interest.

37. The government is making progress on transparency and accountability

- 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 and will be published on the government website by end-December 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.

[3] A senior official (*fonctionnaire de haut niveau*) 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 bribery and corruption).

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

38. The government supports the widespread dissemination of information on judicial proceedings and the functioning of institutions tasked with enforcement of the law, 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 (*magistrat*): the number of sitting judges, the staff in active service, and the number of vacant posts; and for each public prosecutor's office (parquet), the number of prosecutors and staff as well as the number of vacant posts; (ii) the number of cases related to corruption, AML/CFT, insolvency, foreclosures, and real estate for 2015–20; and (iii) all judgments of the Supreme Court.

F. Broader Structural Reforms

39. 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 new National Development Plan 2022–26 identifies the priority sectors for development—including agriculture, manufacturing, tourism, digitalization, and housing 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 (CAEMC-EFRP) 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, in particular through 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 Companies 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 cost of setting up a business by computerizing formalities, centralizing formalities at the one-stop shop for companies, abolishing sureties for managers from outside the CEMAC region, and making available private deeds for the setting up of partnerships without being obliged to go through a notary. For example, the cost of formalities for setting up a sole proprietorship has been reduced from CFAF 150,000 to CFAF 100,000 and for creating a joint stock company (SARL) it has been reduced from CFAF 3,000,000 to CFAF 300,000 (www.acpce.cg). The government will: (i) create a national real estate register; and (ii) reform administrative costs to facilitate cross-border trade. We also commit not to impose import restrictions for balance of payments purposes, in line with the standard practice in all IMF policies.

40. 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 (SRIF) has been put in place in CEMAC covering the period 2022–2027. At the national level, a memorandum of understanding was signed between the General Secretariat of the Comité National Économique et Financier (National Economic and Financial Committee - CNEF) and the United Nations Development Programme (UNDP) for the implementation of the microfinance sector support project and for the development of the national financial inclusion strategy (NFIS). For this purpose, a memorandum of understanding was signed in July 2022 between the government and UNDP to provide Congo with a 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 provisions have been implemented in order to significantly improve the legal framework for business. These include: (i) Order No. 507/MFBPP/CAB laying down 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 personal property securities, and (iii) Decree No. 2024/86 of February 28, 2024 establishing financial mediation in the Republic of Congo, supplemented by the decree on the procedure for financial mediation and the decree on the procedure for the appointment and the remit of financial mediators. The decree laying down the terms and conditions for the registration of real estate titles is currently being drafted.
The government will also continue to develop the capacity of the legal and judicial systems to deal with financial disputes in order to reduce the courts' backlog of disputes concerning the financial sector. Financial stability will benefit from the reduction in nonperforming loans as the clearance of domestic arrears advances. We will also continue to closely monitor the solvency and liquidity indicators of the banking system and speed up restructuring plans for fragile banks.

G. Developing Statistical Capacities

41. 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 2022–2026, 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 data, particularly those from the oil companies. The 2023 balance of payments is currently being finalized by the technical departments and the National Balance of Payments Committee will meet in December 2024 to validate the said balance. The INS teams are also working on the inclusion of the gas sector in the national statistics. This inclusion will take effect with the renewal of the new base year of the national accounts in accordance with 2008 SNA. 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. With regard to 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.

42. The government is committed to continuing its efforts in publishing key 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 the outstanding debt will be published regularly starting in December 2024 on the website of the Ministry of Economy and Finance, within 90 days of the reference date of these statistics.

H. Funding of the Program

43. Our program is fully financed. The expected budgetary assistance from our external partners, including the World Bank and France, should complement the financing supported by the IMF under the ECF program to meet the significant net financing needs of the Congo through December 2025. This support is essential for advancing growth-oriented fiscal reforms and rebuilding both internal and external buffers especially amid significant uncertainties surrounding oil revenues.

I. Program Monitoring

44. The program is subject to semi-annual monitoring by the IMF's Executive Board on the basis of quantitative criteria and indicators, structural benchmarks, and prior actions as indicated in Tables 1, 2, and 3 attached. These criteria and indicators are described in the attached Technical Memorandum of Understanding (TMU), which sets out quantitative performance criteria and reporting requirements under the ECF arrangement.

45. Given the corrective actions undertaken, we request a waiver for the non-observance of the continuous performance criterion on the non-accumulation of external arrears.

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

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

	Type of criteria	End-Dec 2023				End-Mar 2024				End-June 2024				End-Sept 2024		
		PC Program	PC Modified Program	Actual	Status	IT Program	IT Modified Program	Actual	Status	PC Program	PC Modified Program	Actual	Status	IT Program	Actual[10]	Status
Floor on basic non-hydrocarbon primary budget balance (excluding oil-related transfers)[2]	PC	-459	-459	-369	Met	-132	-147	-34	Met	-290	-304	-206	Met	-442	-229	Met
Adjusted target (floor)			-433				-78				-323			-406		
Upward adjustment for higher than expected oil-related transfers			0				0				0			0		
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower hydrocarbon revenue			26				69				-19			36		
Ceiling on net domestic financing of the central government	PC	-67	153	158	Met	-33	-10	-109	Met	6	60	-18	Met	77	70	Met
Adjusted target (ceiling)			179				59				27			113		
Downward (Upward) adjustment for higher (lower) than expected net external assistance and hydrocarbon revenue			26				69				-33			36		
Ceiling on accumulation of new arrears on external debt contracted or guaranteed by the central government[3]	PC	0	0	0	Met	0	0	29	Not Met	0	0	0	Met	0	68	Not Met
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	Met
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	Met
Floor on non-hydrocarbon revenues	IT	868	880	875	Not Met	224	232	232	Met	472	462	481	Met	715	738	Met
Floor for social and poverty-reducing spending	IT	402	308	232	Not Met	85	82	55	Not Met	165	165	155	Not Met	247	223	Not Met
Ceiling on disbursements of external loans for investment projects	IT	164	165	62	Met	62	58	50	Met	105	109	71	Met	153	104	Met
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion) [4,7]	IT	143	216	135	Met	174	216	172	Met	216	216	264	Not Met	216	264	Not Met
Floor on repayment of domestic arrears accumulated by the central government	IT	110	379	450	Met	21	20	48	Met	41	68	62	Not Met	119	62	Not Met
Memo items:																
Hydrocarbon revenue[8]		1195	1205	1201		321	347	208		681	522	536		865	745	
Expected external assistance, net[9]		-484	-401	-449		-91	-108	-106		-195	-206	-168		-308	-261	
- BoP assistance (IMF-ECF)		105	105	106		0	0	0		26	26	0		26	26	
- Budgetary loans and grants (excl. IMF)		194	196	149		38	6	4		33	32	14		48	36	
Payments for current external debt amortization due after debt relief		678	597	599		129	114	110		228	238	182		356	297	

[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] The reported new external arrears were accumulated over the period from July 2024 to January 2025.

Table 2. Republic of Congo: Structural Benchmarks

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	Not met, implemented with delay. The treasury disbursed CFAF 2.4 billion in July 2024, while the remaining CFAF 3.6 billion were disbursed in August.	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	Not met, implemented with delay. A new decree on the classification and pricing of petroleum products, replacing the 2005 framework, was adopted on October 17, 2024. This decree introduces VAT on the distribution entry price for petroleum products and reaffirms the application of customs duties on imported quantities of these products.	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	Not met. Significant progress has been made, but the implementation of the system for accounting tax and customs revenues has faced delays.	Improve transparency and governance and protect public resources.

Table 3. Republic of Congo: Proposed Prior Actions		
Measures	**Status**	**Macroeconomic Rationale**
Full clearance of all outstanding program external arrears to multilaterals accumulated during H2 2024.		Improve debt management practices to address debt vulnerabilities.
Submission to parliament of a 2025 budget targeting a non-hydrocarbon primary deficit consistent with the projections under the ECF arrangement.	Met	Advance fiscal consolidation to address debt vulnerabilities.

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 2022–24 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 in 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: Social Spending 2022–24

(Billions of CFAF)

ITEM	2022			2023			2024						
							End-March		End-June		End-September		
	Budgeted	Actual	Execution rate (percent)	Budgeted	Actual	Execution rate (percent)	Actual	Execution rate (percent)	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**	**53.9**	**30.0**	**79.5**	**44.3**	**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	2.5	34.6	5.6	75.7	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	3.9	25.1	5.3	34.2	15.4
AIDS education and outreach campaign	0.5	0.7	134.7	0.5	0.3	60.6	0.1	13.7	0.1	36.0	0.3	75.8	0.4
Malaria and other diseases control program	15.1	5.5	36.2	16.5	5.4	32.8	0.7	4.3	8.1	47.6	8.7	50.9	17.1
Extended vaccination program	12.9	4.8	37.6	12.8	1.1	8.8	0.6	4.3	3.8	29.5	5.9	45.5	12.9
Response to epidemics	17.6	15.2	86.4	14.7	0.8	5.7	0.7	8.1	4.4	52.2	5.3	62.9	8.4
Free caesarean section program	2.4	1.1	45.6	2.5	0.4	14.3	0.1	5.0	0.1	5.0	0.7	31.5	2.3
Tuberculosis control program	0.5	1.4	288.3	0.5	0.7	145.1	0.2	44.1	0.3	69.1	0.3	69.1	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	0.2	25.4	0.2	30.6	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	26.8	30.0	39.9	44.7	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	3.3	16.6	7.1	35.6	19.9
Women's and teenager health	4.2	5.8	139.5	5.6	4.6	81.7	0.1	1.8	0.3	5.6	0.3	5.6	5.3
Basic education	**102.6**	**55.9**	**54.5**	**144.4**	**87.8**	**60.9**	**24.2**	**14.9**	**57.1**	**35.3**	**83.3**	**51.4**	**161.9**
Construction and rehabilitation of school buildings	6.5	1.7	25.6	10.5	1.2	11.5	0.0	0.0	0.7	4.8	1.1	8.3	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	11.7	44.6	17.0	64.7	26.3
School canteen program	5.1	3.9	76.2	7.1	4.5	63.2	0.0	0.0	0.7	10.4	1.0	15.6	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	37.3	47.0	54.5	68.5	79.5
Scholarships, school and university aid	30.5	4.4	14.4	31.5	2.7	8.6	6.5	24.2	6.7	25.0	6.7	25.0	26.8
Program for the acquisition of table-bench at school level	0.0	0.0	-	0.0	0.0	-	0.0	-	0.0	-	0.0	-	0.0
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	0.0	0.0	3.0	32.7	9.2
Infrastructures for improved access	**52.2**	**30.6**	**58.7**	**58.2**	**8.6**	**14.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**	**0.8**	**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	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	0.0	0.0	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	-	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	0.0	0.0	0.8	1.0	83.4
Electricity, water and sanitation	**69.8**	**59.6**	**85.3**	**55.9**	**27.4**	**49.0**	**1.9**	**3.6**	**10.5**	**20.3**	**22.7**	**43.8**	**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	0.8	12.3	4.5	68.1	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	0.6	2.7	6.4	30.2	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	9.2	37.7	11.9	49.0	24.3
Social protection and employment	**58.9**	**21.9**	**37.2**	**76.4**	**28.1**	**36.9**	**6.4**	**12.0**	**27.6**	**51.4**	**29.4**	**54.8**	**53.6**
Charitable actions and social assistance	0.7	0.3	43.7	0.7	0.4	54.7	0.0	4.5	0.2	23.9	0.4	48.1	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	0.1	25.6	0.2	42.9	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	22.4	78.5	23.7	83.0	28.6
Of which: National Social Safety Nets Program	-	-	-	-	-	-	0.0	0.0	0.0	0.0	10.5	87.1	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	100.0	0.2	100.0	0.2
Lisungui Projects	14.8	14.8	99.9	17.9	0.0	0.0	0.0	0.0	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	0.3	26.0	0.5	45.8	1.2
Implementation of universal health insurance	26.9	0.0	0.1	28.4	0.0	0.0	4.5	20.1	4.5	20.1	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**	**2.6**	**20.8**	**3.8**	**30.1**	**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	0.0	0.1	0.5	8.7	5.2
Improved seed distribution program	0.5	1.3	241.1	0.8	0.5	59.7	0.2	27.0	0.3	38.6	0.4	58.3	0.7
Agricultural techniques outreach and demonstration program	2.7	2.2	83.0	3.1	2.2	71.8	0.8	26.5	1.4	45.2	1.7	57.6	3.0
Livestock techniques demonstration program	3.7	0.5	13.8	3.8	0.8	19.9	0.6	16.6	1.0	26.2	1.2	31.7	3.6
Bovine sharecropping program	0.1	0.1	77.7	0.1	0.1	93.6	0.0	26.4	0.0	38.2	0.1	53.5	0.1
Promotion of women	**4.8**	**2.3**	**47.9**	**5.6**	**1.5**	**26.8**	**1.3**	**23.8**	**3.0**	**55.5**	**3.4**	**64.1**	**5.4**
Gender issue	2.9	1.6	56.3	2.8	1.1	39.4	0.6	20.1	1.1	36.6	1.3	44.3	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	1.9	80.1	2.1	89.7	2.3
TOTAL	**479.5**	**290.7**	**60.6**	**557.0**	**236.4**	**42.4**	**55.5**	**9.8**	**154.7**	**27.4**	**223.0**	**39.5**	**565.3**

Sources: 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

February 10, 2025

SIXTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, 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 Niamh Sheridan (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 fifth review of the ECF, with exception of disputed debt and pre-HIPC claims.

Improved debt management (including restricting new external financing to concessional terms), fiscal discipline, and resolution of arrears are projected to help all external liquidity

[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.

and solvency indicators fall below their thresholds by 2026 under the baseline scenario.[2] *The completed domestic debt reprofiling and related maturity extensions are expected to partly postpone the amortization of government treasury obligations, thereby easing the debt service pressures from 2026 onwards. Several factors will help reduce the high debt-to-GDP ratio and reoccurrence of arrears over the medium term, including softer but still robust oil prices in the near term (based on the November 2024 WEO assumptions) and resilient non-hydrocarbon growth supported by the authorities' reform agenda.*

Nevertheless, there are major overall and external debt-related risks, as signaled by the PV of the public debt-to-GDP indicator exceeding its benchmark through 2033 as well as recurring accumulation of external arrears.[3] *Both domestic debt solvency and liquidity indicators point to debt vulnerabilities in the medium term. 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 (CFAF 117 billion) at the Central Bank.*

There are several risks to debt sustainability. The debt sustainability assessment is highly vulnerable to downside risks to oil price shocks, which have intensified lately. Conditions in regional markets (CEMAC banking systems) may tighten further for the reasons beyond Congo's control or if the government's financing needs exceed the current baseline projections, exacerbating recent funding challenges.

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.[4]

[2] The composite index (CI), estimated at 2.3 and based on the October 2024 World Economic Outlook (WEO) and 2023 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 no longer breaches the threshold in baseline and historical scenarios, but the PV of debt service-to-exports breaches the threshold in 2024, and the PV of debt service-to-revenue breaches its relative threshold in 2024 and 2025.

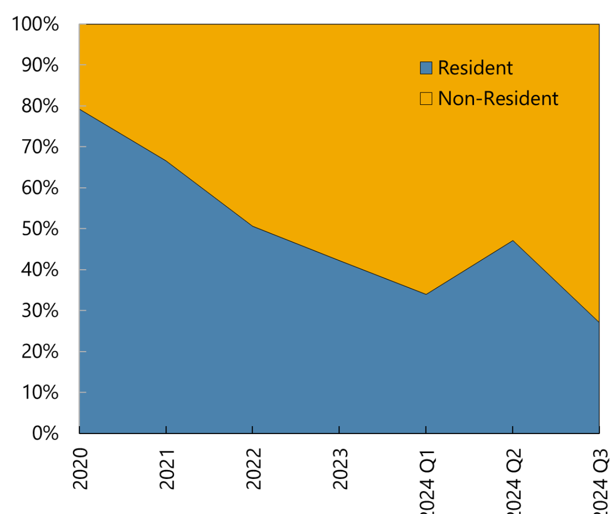
[4] The increased vulnerabilities and potential elevated risk-weighting on domestic debt borrowing may hinder the country's capacity to secure financing from the market at reasonable borrowing costs.

PUBLIC DEBT COVERAGE

1. The coverage of public debt in this DSA is limited to central government debt, including the oil-backed debts. 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 the national oil company (SNPC) is included in the analysis. The non-publicly guaranteed debts of state-owned enterprises (SOEs), including SNPC, are incorporated in the DSA as contingent liabilities.[5] A comprehensive debt management strategy was recently established as part of the conditionality under the ECF, with the restructuring of the debt management office being completed in 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 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 pension funds 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, on top of the CFAF 360 billion (4.1 percent of GDP) of social arrears that materialized earlier in the same year.

2. The distinction between domestic and external debt is mostly determined on a currency basis, rather than a residency basis. This currency-based identification approach is used because large amounts of the country's debt are subscribed by banks within the regional CEMAC market (i.e., within the currency union), where the 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 two-thirds of the treasury auctions are subscribed by non-resident banks, the lack of data on post-subscription treasury bond trades 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 22.3 percent of GDP is customized to account for possible missing general government debt due

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

to legally disputed claims of domestic arrears (about 0.8 percent of GDP), revised arrears under audit not included in the forecast assumptions (2.4 percent of GDP), 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 SOEs' assets. The latter assumption is calibrated based on the SOEs' liabilities and potential asset liquidation values because large SOEs such as the commercially run SNPC operate in profitable sectors, consistent with past reviews. In addition, Congo's total PPP capital stock is estimated at 5.7 percent of GDP, with 35 percent of this stock assumed to end up on the government balance sheet under the stress test (2 percent of GDP). To account for a financial sector crisis, the default value of 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 to 22.3 percent of GDP.

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

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

		Default		Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central government plus social security, central bank, government-guaranteed debt			
2	Other elements of the general government not captured in 1.	0	percent of GDP	5.35	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) 2/	2	percent of GDP	10	SOE's debt not guaranteed by the government
4	PPP	35	percent of PPP stock	2.00	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)			22.3	

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

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

[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. The authorities published the first edition of the quarterly bulletin on public debt in March 2024, reporting details on the 10 largest SOEs' debt. However, additional efforts, including the implementation of a single electronic repository for SOEs debt information managed by the *Caisse Congolaise d'Amortissement*, are needed to improve the timeliness and coverage of the SOEs data and bolster the assessment of contingent liabilities.

[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).

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 percent of GDP at end-2023, driven by a ramp-up in domestic government borrowing amid the securitization of social arrears. Total public debt rose to CFAF 8,508 billion in 2023, around 99 percent of GDP. 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. Total public debt is projected to fall to 94.6 percent of GDP in 2024, mostly reflecting repayments 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, and is projected to further decline to 34.7 percent of GDP by the end of 2024. The sharp decline in external debt reflects higher payments on the debt with payments linked to oil prices for the two largest external commercial creditors. Limits on 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 is expected to be fully repaid by end-2025. In the context of 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.

- By the end of June 2024, total arrears (see Table 1a) amounted to $3.06 billion (20.8 percent of GDP, down from 23.6 percent of GDP at end 2023), including $497 million of external arrears (3.4 percent of GDP) and $2.57 billion of domestic arrears (17.4 percent of GDP, lower than 20.2 percent of GDP at the end of 2023). During July 2024-January 2025, Congo has accumulated

[9] This relates to the recognition of CFAF 360 billion of social arrears by the central government and the inclusion of CFAF 269 billion of previously unpaid pensions in the debt stock.

CFAF 68.5 billion in new external program arrears, of which 57.4 billion have been cleared as of end-January 2025 with at least a 30-days delay.

5. The authorities 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 concluded resolution agreement of legacy arrears that materialized by the inception of the ECF with Exim Bank India, 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 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.

- The accumulation of domestic arrears and missed external debt services stems from cash-flow management gaps. The recent Congo-BEAC agreement is a step towards operationalizing the Treasury Single Account, but further rationalization of revenue earmarking through escrow accounts is needed. The SIGFIP financial management system's operationalization (missed SB end-November 2024) will support this. With IMF, World Bank, and France's assistance, authorities aim to complete actions by end-January 2025 to implement program budgeting across ministries after the 2024 pilot. Ongoing reforms in public investment management are essential to enhance growth impacts and complement previous initiatives like the 2022 public-private partnership law.

- On the external front, ongoing technical and coordination challenges, along with liquidity pressures, have caused temporary external arrears. This highlights the urgency for the reorganized CCA to follow revamped rules and ensure timely debt service through clear amortization and issuance plans. Increased debt transparency is crucial, requiring the completion of audits on social and domestic arrears, better coordination among CCA, Treasury, and BEAC, full operationalization of the single debt database, and close monitoring of SOE-related contingent liabilities.

6. External debt service payments are expected to reach CFAF 573 billion in 2024, including CFAF 61 billion in interest payments. The authorities plan to fully repay all new external arrears owed to four multilateral creditors (WB, EIB, BADEA, and IFAD). As for bilateral new external arrears, they were owed to ten bilateral creditors (UAE, Belgium, Brazil, India, France, Kuwait, Libya, Russia, Saudi Arabia, and Türkiye) and cleared, except for Libya. Arrears to Libya include also past missed payments due since 2023 (CFAF 2.7 billion), as Congolese authorities were unable to address

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

the technical challenges recurrently preventing the payments; suggesting that the anticipated benefits from the recent reorganization of the *Caisse Congolaise d'Amortissement* (debt management office, CCA) have yet to materialize. This also calls for the urgent acceleration of ongoing reforms to strengthen the debt management framework.

   - Scheduled external debt payment in 2024Q4 amount to CFAF 143.29 billion, with about 2/3 due in the month of December 2024, underlying the potential challenges ahead to ensure timely payments of external debts.

- The authorities continue efforts to resolve remaining pre-HIPC bilateral arrears in the amount of $127.4 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 ($14.8 million).

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

- On the domestic side, debt service payments are expected to reach CFAF 1,650 billion in 2024—including CFAF 296 billion in interest payments, CFAF 1,189 billion in debt amortization, and CFAF 164 in repayments of domestic arrears. Two debt service installments (CFAF 51.4 billion) on previously issued treasuries were missed as of early September 2024, pointing to cash-flows tensions amid significant funding needs. These amounts have been subsequently repaid.

- In 2023, 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 World Bank FY24 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 have recently completed a sub-action that was missing under FY24 PPAs, on the publication of the domestic arrears' repayment strategy. The adoption and implementation of the domestic arrears' repayment strategy will help reduce debt vulnerabilities and provide liquidity to domestic banks and firms and support the non-hydrocarbon economic growth.

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	**248.1**	**140.1**	**100**
Concessional debt, of which	**248.1**	**140.1**	**100**
Multilateral debt	213.4	119.1	85
Bilateral debt	34.7	21.0	15
Other	0.0	0.0	0
Non-concessional debt, of which	**0.0**	**0.0**	**0**
Semi-concessional[1]	0.0	0.0	0
Commercial terms	0.0	0.0	0
By Creditor Type	**248.1**	**140.1**	**100**
Multilateral	213.4	119.1	85
Bilateral - Paris Club	0.0	0.0	0
Bilateral - Non-Paris Club	34.7	21.0	15
Other	0.0	0.0	0
Uses of debt financing	**250.8**	**151.7**	**100**
Infrastructure	188.7	114.1	75
Social Spending	0.0	0.0	0
Budget Financing	62.0	37.5	25
Other	0.0	0.0	0

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

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

(Millions of USD)

January 1, 2024 – December 31, 2024

	USD Million	CFAF Billion
By the type of interest rate		
Fixed Interest Rate	248.1	140.1
Variable Interest Rate	0.0	0.0
Unconventional Loans	0.0	0.0
By currency		
USD denominated loans	170.2	92.9
Loans denominated in other currency	77.9	47.1

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 this debt owed is expected to be funded with CFAF 186.2 billion (2.1 percent of GDP). It is critical that any accumulation of excess balances in the escrow account, which guarantees the payment of three future semi-annual debt service installments, be repatriated to alleviate ongoing funding stress.[11]

8. The authorities initiated a domestic debt reprofiling operation in October 2024 to curb Congo's intensifying debt service pressures. Named the *Programme National d'Optimisation de la Trésorerie* (PNOT), this operation sought a voluntary maturity extension of CFAF 2,314 billion (USD 3.8 billion; 43 percent of total local currency debt; 26 percent of GDP in 2024) in government treasuries, while keeping the face value and interest rate unchanged. This debt reprofiling was accompanied by the issuance of CFAF 250 billion in new short-term treasury bills, in part to cover the 3 percent (CFAF 34 billion) exchange commission fees offered to the treasury holders who participated in the operation. By end-November 2024, the authorities decided to end the operation after CFAF 1,136 billion worth of securities (including CFAF 191 billion in Treasury bills and CFAF 945 billion in Treasury bonds) have been exchanged, accounting for 49 percent of the initial total debt to be reprofiled.[12] The PNOT extended the average maturity of exchanged government treasuries to 6.3 years, more than twice its average value before the reprofiling. While it partially deferred the near-future amortizations of Treasury securities cumulatively by CFAF 563 billion from 2025–29 to 2030–34, it entailed higher interest payments of CFAF 108 billion cumulatively in 2025– 29.[13] Overall, the PNOT will reduce the domestic treasury debt service due by CFAF 455 billion cumulatively in 2025–29. However, debt service pressures are likely to persist in 2025 because the CFAF 148 billion in postponed principal payments were overcompensated by the full amortization of the newly issued CFAF 250 billion Treasury bills.

9. There have been efforts to address weaknesses in public debt management and reporting. Reorganization efforts around debt management, are encouraging steps but faster and broader progress is needed to enhance internal communication and coordination to avoid missed debt service payments. The authorities are committed to resolving these issues and related gaps in cash-flow management by maintaining the momentum of public financial management (PFM) reforms with support from ongoing IMF and World Bank technical assistance, including through the operationalization of the medium-term debt management strategy, the implementation of credible amortization and emission plans, and the full operationalization of the Treasury Single Account. Under the ECF arrangement conditionality, CFAF 117 billion are planned to be accumulated in 2024 as deposits at the BEAC, as oil prices remain at comfortable levels. 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.

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

[12] For the first phase of the PNOT, the authorities announced CFAF 1,236 billion worth of treasuries to be exchanged. Of this volume, CFAF 914.7 billion worth of treasuries have been exchanged and approved by the regulator and CFAF 222 billion are yet to be approved, while CFAF 99.4 billion will not be executed.

[13] The PNOT is expected to increase interest payments by CFAF 251 billion (almost 3 percent of 2024 GDP) cumulatively in 2025–34.

Text Table 3. Republic of Congo: External Arrears Situation

	December 2022 stock			June 2023 stock			December 2023 stock			June 2024 stock			June 2024 (Excl. unrestructured pre-HIPC arrears)			September 2024 stock			September 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	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**	**310.0**	**517.8**	**3.4**	**19.0**	**31.7**	**0.2**	**303.1**	**506.2**	**3.4**	**14.9**	**24.9**	**0.2**
Multilateral and other creditors	0.0	0.0	0.0	3.7	6.1	0.0	0.0	0.0	0.0	5.9	9.9	0.1	5.9	9.9	0.1	3.1	5.2	0.0	3.1	5.2	0.0
Bilateral	86.7	140.0	1.0	72.4	119.6	0.8	72.2	120.0	0.8	78.4	131.0	0.9	4.2	7.0	0.0	74.3	124.1	0.8	2.9	4.9	0.0
Paris Club	11.9	19.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	2.1	3.6	0.0	2.1	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	1.9	3.2	0.0	1.9	3.2	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	0.2	0.3	0.0	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	76.3	127.4	0.8	2.1	3.5	0.0	74.3	124.1	0.8	2.9	4.9	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	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	3.5	0.0	2.1	3.5	0.0	1.3	2.2	0.0	1.3	2.2	0.0
Angola	69.8	112.6	0.8	68.2	112.7	0.8	69.0	114.8	0.8	71.1	118.7	0.8	0.0	0.0	0.0	68.2	113.9	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	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	1.5	2.5	0.0	1.5	2.5	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	0.1	0.1	0.0	0.1	0.1	0.0
Saudi Arabia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	5.3	0.0	0.0	0.0	0.0	3.1	5.3	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	376.9	2.5	8.9	14.8	0.1	225.7	376.9	2.5	8.9	14.8	0.1
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	0.0	0.0	0.0	0.0	0.0	0.0
Eurobond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	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	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	376.9	2.5	8.9	14.8	0.1	225.7	376.9	2.5	8.9	14.8	0.1

Source: Congolese authorities and IMF staff estimates.

B. Macroeconomic Outlook

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

- Following a 2-percent growth in 2023, overall real GDP growth is on track to reach 2.6 percent in 2024, reflecting sustained growth momentum in the non-hydrocarbon sector (3.1 percent) and a rebound in the hydrocarbon sector (0.8 percent). Over the medium term, GDP growth subsumes the divergent dynamics between the hydrocarbon and non-hydrocarbon sectors. Economic growth is expected to strengthen, driven initially by a temporary acceleration in hydrocarbon activity in 2025–26, together with a strengthening of non-hydrocarbon sectors. Growth in the hydrocarbon sector is expected to reach an average of 2 percent in 2025-26, before losing steam, as maturing oil fields start to limit Congo's oil production from 2027 onwards. In the non-hydrocarbon sector however, economic growth is projected to average 3.9 percent 2025–26 and peak at an average of 4.6 percent in 2027–29. Prioritized government spending (in infrastructure, education, etc.), pro-growth reforms, financing from development partners, and efforts to accelerate within and cross-sector diversification are expected to be the main drivers. Inflation is 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, 3.3 ppt more than initially targeted during the fourth ECF review in 2023. Non-hydrocarbon primary balance will likely widen somewhat to 9 percent in 2024, 1.1 ppt below the target value of the fifth ECF review, with higher social transfers more than offsetting the 0.6 ppt difference to 2023. This widening helps restoring critical social and infrastructure spending, while oil revenues are expected to soften. 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, with respective projections hovering around 4 percent over 2024–29. 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.

- Gross financing needs, predominantly funded through issuances of treasury and bond securities in the regional markets, are projected to rise marginally from about 16.3 percent of GDP in 2023 to 18 percent of GDP in 2024, before gradually sliding from 14.8 percent of GDP in 2025 to 7 percent of GDP by 2034, as total amortization declines.[14]

- The budgetary support from Congo's development partners excluding IMF (African Development Bank, France, and World Bank) is projected to reach $80 million in 2024, down from $125 million in 2023, while the World Bank is expected to provide $178 million in project loans (Text Table 4).[15] 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.[16]

- Reflecting the potential impact of the PNOT operation on banks' demand for medium-term securities, the revised medium term domestic financing mix is more tilted towards short-term treasury bills (less than 1-year maturity) and long maturity (more than a 3-year term) treasury bonds compared to CR 251/24. Specifically, the DSA assumes the following for the domestic financing profile: 50 percent (5 ppt higher compared to CR 251/24) of Congo's projected domestic financing in 2024–2029 is short-term (less than 1-year term), 10 percent (20 ppt lower compared to CR 251/24) is up to a term of 3 years and the remaining 40 percent (15 ppt higher compared to CR 251/24) have a term of more than 4 years, reflecting the expected reduction in demand of medium term treasury bonds after the PNOT and prioritization of long dated treasury

[14] The higher-than-expected gross financing need of 2025 is attributed to short-term public domestic debt stemming from the PNOT.

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

[16] 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.

issuance. As debt is reduced and financial conditions improve, the debt profile gradually shifts towards longer maturities, 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.[17] Moreover, all domestic financing is denominated in local currency.

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

	2025	2026	2027	2028	2029	2030	2031	2032
Total External Bilateral and Multilateral	**340**	**278**	**213**	**219**	**221**	**224**	**233**	**24**
Project Financing	**217**	**278**	**213**	**219**	**221**	**224**	**233**	**24**
Of which:								
Multilateral and other creditors	180	204	139	129	131	133	136	14
IMF	0	0	0	0	0	0	0	
IDA	128	135	106	66	73	81	79	8
IBRD	50	64	27	33	47	40	43	4
AfDB	0	0	0	0	0	0	0	
Others	2	4	6	30	11	13	15	1
Official bilateral	37	75	74	90	90	90	97	9
Paris Club	29	0	0	0	0	0	0	
France	29	0	0	0	0	0	0	
Non-Paris Club	8	75	74	90	90	90	97	9
of which: China	8	75	74	90	90	90	97	9
General Budget Financing	**123**	**0**	**0**	**0**	**0**	**0**	**0**	
IMF	43	0	0	0	0	0	0	
Other Development Partners	80	0	0	0	0	0	0	

Sources: IMF and WB staff calculations and projections.

[17] The same interest rate profile is assumed for longer-dated domestic government debt instruments maturing between 3 and 7 years based on recent 2024H1 domestic debt issuance data. Moreover, the issuance of long maturity (4–7 years) debt is limited, with little interest rate variation due to the thin market.

Box 1. Main Macroeconomic Assumptions[1]

Economic growth is projected to strengthen in the medium and long terms on the back of 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. Government action has been supportive to growth especially in the form of subsidies, increased infrastructure spending, and arrears repayment. 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. Non-hydrocarbon economic growth is projected to accelerate moderately to 3.1 percent in 2024, driven by activity in forestry, manufacturing, and telecommunications sectors. Medium-term growth drivers include the continued repayment of domestic arrears, prioritized investment in infrastructure, healthcare, and education, the implementation of structural reforms to expand fiscal space and enhance the business environment, and government initiatives to accelerate economic diversification: i) within the hydrocarbon sector through the expansion of the natural gas production and ii) in other sectors through advancements in agriculture, manufacturing, and services.

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 exports of manufactured goods and services) gain in weight. In the hydrocarbon sector, the new gas code, to be finalized by end-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. Outside the hydrocarbon sector, a much broader-based diversification is expected to spur growth, as agribusiness, manufacturing (cement, higher-value customized wood products), and services (telecommunications, tourism) gain further weight in the economy supported by development partners' funding, government support, 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—underpinned by the authorities' commitment to a revenue-led fiscal consolidation, prioritization of productive capital and social expenditures, and planned lengthening of the domestic debt maturity—will facilitate the 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.

Box 1. Main Macroeconomic Assumptions (continued)

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 to support 1 percent expansion of oil production in 2024, reflecting the resolution of technical malfunctions, before a weakening of activity growth due to aging oil fields 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 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.

- **Overall,** in the long term, as oil production declines, Congolese economic activity will likely be primarily driven by the **non-hydrocarbon sector. Overall,** in the long term, as oil production declines, Congolese economic activity will likely be primarily driven by the **non-hydrocarbon sector.**
- **The balance of risks remains titled to the downside, including:** i) intensifying regional conflicts and weaker oil prices, which could harm the economy as well as fiscal and external balances; ii) the recurrent buildup of domestic arrears, undermining debt reduction efforts; iii) continued liquidity management issues and funding pressures, especially if compounded by reduced absorption capacity or appetite for government debt within the regional banking system, thereby implying further delays in social spending execution and exacerbating fiscal challenges; iv) delays in energy subsidy reforms threatening fiscal sustainability; v) slow progress in fiscal and debt management reforms; vi) social pressure in the wake of upcoming elections and vii) recurring climate events and delayed adaptation strategies, weakening economic resilience and fiscal stability.
- **Inflation**: Inflation increased to 5.6 percent in December 2023, reaching an average of 4.3 percent in 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, and returning to 3 percent over the medium-term, aligning with CEMAC inflation target.
- **Current account balance:** A current account surplus of 1.3 percent of GDP is anticipated for 2024, 5.1 ppt below the estimated surplus in 2023, and significantly lower than the estimated current account balance of 17.7 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 surplus further shrank in 2024, as lingering operational issues continued to weigh on oil production. 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 3.8 percent of GDP over 2028–42, reflecting: i) a long-term decline in oil production, only partly offset by LNG exports, and ii) increased investment-driven imports as part of the diversification strategy, only partly offset by higher non-oil exports. The diversification efforts are expected to gradually boost non-hydrocarbon exports but would not be sufficient to outweigh the downward forces on the current account by 2042. However, beyond boosting investment, the positive effects of diversification could materialize earlier through faster job creation, higher household incomes and private consumption, thereby supporting domestic absorption and GDP growth.

Fiscal policy aims to reduce debt and support growth.

- Subsequent to a looser fiscal stance in 2022, fiscal policy was tightened in 2023 more than anticipated, reducing the non-hydrocarbon primary deficit by 7.3 ppt to 8.4 percent of non-hydrocarbon GDP, which is 3.3 ppt more than targeted during the fourth ECF review. The surprise

Box 1. Main Macroeconomic Assumptions (concluded)

revenues. The non-hydrocarbon primary deficit is projected to widen somewhat to 9 percent in 2024 to restore adequate level of social and capital spending. However, this would still below 1.1 ppt below the target set during the fifth ECF review. Fiscal adjustment momentum is projected to continue over the medium term, with the non-hydrocarbon primary deficit anticipated to decline cumulatively by 5.3 ppt to 3.7 percent of non-hydrocarbon GDP by 2029. This fiscal adjustment is underpinned by measures under 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. The authorities are setting the stage for a revenue-based fiscal consolidation going forward. Various reforms to streamline tax expenditures and broaden the tax base are projected to raise over 2024-25 additional tax revenue of 1.1 ppts of non-hydrocarbon GDP in the baseline scenario: (i) the phasing out of custom duty exemptions granted under the resilience plan, (ii) operationalizing digital taxation, (iii) adjusting excise taxes to comply with CEMAC guidelines, and (iv) removing fuel-related VAT exemptions. Additional 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 revenue-based fiscal adjustment 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. The authorities continue to be committed to fiscal, debt, and cash-flow management reforms and to the ECF arrangement. Additional fiscal adjustments and efforts to settle remaining external arrears and to alleviate near-term funding pressures illustrate this commitment. Contingent on the durable resolution of funding pressures and prudent emission discipline on treasury markets, greater tax revenue mobilization, together with external borrowing on concessional terms, will further 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 2022–26 national development plan.

- 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:** Driven by newly recognized domestic arrears, materialization of fiscal risks and a ramp up in domestic funding, Congo's trajectory for the reduction of total public debt shifted repeatedly up. The stock of domestic arrears is projected at CFAF 1,570 billion in 2024, of which CFAF 116 billion (7.2 percent) has yet to be fully audited. Persistent uncertainties around the size of social and other domestic arrears continue to hinder the effective implementation of Congo's public debt reduction strategy. The repayment of domestic arrears will likely fall to CFAF 164 billion, down from CFAF 450 billion in 2023 but could recover in the outer years as the authorities dedicate the fiscal space from the debt reprofiling plan to accelerate the implementation of the comprehensive arrear clearance plan adopted in 2023 (MEFP ¶10).

- **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).

---

[1]The main macroeconomic assumptions discussed here are based on ECF 6th 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.

11. 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 paths 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, plans to gradually increase government deposits at BEAC, and financing from the regional bond markets—where banks exhibit high liquidity ratios. 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. 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 2024/251). 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	210.0	209.0	171.6	132.0	141.3	185.0
ECF 5th Review	312.5	163.9	170.6	130.8	140.5	184.0
Grant Element of New External Borrowing (in percentage points)						
Current DSA	26.9	25.2	30.6	35.0	33.2	33.0
ECF 5th Review	25.6	29.9	30.7	35.1	33.3	33.1
Primary balance (percent of GDP)						
Current DSA	6.6	7.2	6.6	7.1	7.2	2.9
ECF 5th Review	7.0	6.0	5.6	6.1	6.6	2.0
Real GDP growth (percent)						
Current DSA	2.6	3.7	3.4	3.4	3.8	3.6
ECF 5th Review	2.8	3.7	3.5	3.5	3.8	3.7
Current Account Balance (percent of the GDP)						
Current DSA	1.3	0.3	0.3	0.5	-1.9	-4.7
ECF 5th Review	2.1	1.3	1.3	0.7	-1.4	-5.9
Congolese Oil prices (US dollars per barrel)						
Current DSA	77.9	69.0	68.3	67.7	68.3	78.5
ECF 5th Review	0.0	78.6	74.5	71.5	71.7	83.3
Brent Oil prices (US dollars per barrel)						
Current DSA	80.0	71.4	69.7	68.9	69.4	79.7
ECF 5th Review	79.7	79.6	75.5	72.7	72.8	84.6

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

C. Country Classification and Determination of Stress Test Scenarios

12. **The composite index (CI) is assessed at 2.4 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 2.4	Weak 2.3	Weak 2.3

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.783	1.07	44%
Real growth rate (in percent)	2.719	1.695	0.05	2%
Import coverage of reserves (in percent)	4.052	32.710	1.33	55%
Import coverage of reserves^2 (in percent)	-3.990	10.699	-0.43	-18%
Remittances (in percent)	2.022	0.030	0.00	0%
World economic growth (in percent)	13.520	2.967	0.40	17%
CI Score			2.4	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.

13. **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

14. 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 25.6 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 is projected at 27 percent in 2024, remaining below its threshold of 30 percent through 2034. Likewise, the external debt service-to-exports ratio is projected to decline to 8 percent by 2025 and remain below its threshold of 10 percent in subsequent years. The PV of external debt-to-exports ratio is below its indicative threshold and projected to decline to an average of 41.1 percent over 2029–34.

15. All indicators of external public debt, except debt-service-to-revenue ratio, 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 the debt-to-exports ratio to rise and remain elevated over the medium term, while the PV of the debt-to-GDP ratio would peak at 62.4 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 each year declines with reduced oil prices).

16. 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. The authorities remain fully committed to strengthen their debt management systems, with support from the World Bank and the IMF. The restructuring the debt management office (CCA) in June 2024 and the comprehensive quarterly debt bulleting covering stock and flow data published at end-March 2024 were key milestones in that regard, but more needs to be done. As all the debt ratios fall below the debt thresholds within 5 years, debt is assessed to be sustainable.

B. Public Debt Sustainability Analysis

17. 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 the 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 2034, and the authorities 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 risks 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[18] and low growth rates. Nevertheless, the baseline PV of Debt to Revenue is declining going forward, and the Debt Service to Revenue ratio declines going forward.

18. Amid intensifying debt service pressures, the authorities carried out a domestic debt reprofiling operation (¶8). The Programme National d'Optimisation de la Trésorerie (PNOT) was articulated around three key pillars: (i) exchanging domestic treasuries for new ones with the same face value and nominal coupon rates, (ii) extending the maturities of Treasury bills between 26 to 52 weeks and Treasury bonds between 2 to 10 years, (iii) facilitating a voluntary participation of domestic and regional creditors. By end-November 2024, CFAF 1,136 billion of treasuries (49 percent of the total debt initially targeted) have been exchanged before the authorities concluded the operation. The PNOT led to an extension of the average maturity of government treasuries by 3.9 years compared to its respective value of 2.4 years before the exchange operation. The average residual maturity of the Treasury bills exchanged, worth CFAF 191 billion, has increased from 9 weeks to 50 weeks, while for the CFAF 945 billion of Treasury bonds exchanged, the average maturity rose from 2.8 years to 7.4 years. Nevertheless, while the PNOT partially shifts amortization of treasuries beyond 2029, on balance, near-term debt obligations still remain elevated as the operation also includes the issuance of CFAF 250 billion in new 52-week Treasury bills, which will become due in 2025, and more than offset the deferred payments achieved with the operation for 2025. This would imply unabating liquidity pressures in 2025, if committed fiscal adjustment falls short of target. Moreover, it entails higher interest payments and a one-off 3 percent exchange commission fee (CFAF 34 billion) for the government. Treasury holders could incur a 5.6 percent opportunity cost and face higher sovereign risks, with potentially negative implications for financial stability, also in the wider CEMAC region.[19]

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

[19] It is worth, however, noting that bank's balance sheets, i.e., their book values, and their financial soundness indicators (FSI) may not be materially affected, considering that the applicable regulation prevailing in CEMAC only require fair valuation for securities held less than 6 months, i.e., for transactions purposes.

19. While the average maturity of domestic debt has somewhat increased with the PNOT, liquidity pressures on domestic borrowing and rollover risks are likely to persist. The average maturity of overall domestic debt increased from 3 to 4 years, which remains substantially below that of external debt 23.9 years, pointing to significant rollover risks should domestic market conditions deteriorate further, thus adding to current liquidity pressures. Overall, Congo's net financing needs are expected to decrease from CFAF 682 billion in 2023 to CFAF 320 billion in 2024, subsequently fluctuating around an average of CFAF 378 billion in 2025–26. However, with limited additional budgetary support and external concessional financing, any potential future re-intensification of funding needs and cash-flow tensions in the short-term could compel the authorities to rely on costly short-dated treasury and bond issuance on the domestic and regional markets, amid heightened financing needs from other CEMAC countries, thereby potentially deteriorating the risk profile of Congo's domestic debt. An increased reliance on domestic short maturity debt could magnify Congo's debt portfolio exposure to liquidity and rollover risks. As a mitigating measure, the authorities committed to tighter fiscal consolidation in 2024–25 and are taking steps to improve treasury cash flows.

20. Domestic debt lies substantially above the median level across LICs, warranting a closer monitoring of domestic debt risks. Domestic debt-to-GDP ratio peaked at 60.7 percent in 2024, from 22.7 percent in 2018, reflecting a combination of heavy reliance on domestic sources for budget financing and clearance of social and commercial arrears. It is expected to gradually fall from 2025 onwards, converging gradually to the median of 17.2 percent of GDP across peer countries using the LIC DSF (Figure 5). Similarly, the domestic debt service-to-revenue picked up in the recent years and is projected to remain considerably above the median level of LICs in the forecast period, despite a projected decline driven by fiscal consolidation and improved liquidity and debt management operations. The net domestic debt issuance (as a ratio to GDP and domestic debt stock in the previous year) is expected to turn negative by 2025 onwards, reflecting the planned fiscal consolidation over the medium term.[20] Both domestic debt solvency (debt-to-GDP ratio) and liquidity (debt service-to-revenue) indicators exceed their comparator median values for LICs through 2034, signaling additional domestic debt risks in the medium term.

[20] The projected net domestic issuance contraction, driven by the medium-term fiscal consolidation, would not necessarily hinder the deepening of the domestic debt security market. The regional monetary and financial authorities (BEAC, COBAC) have undertaken reforms to develop a secondary market for government securities by: i) improving the predictability and transparency of CEMAC member government securities' issuance; ii) developing the regulatory framework; iii) enhancing transparency by providing the market with an adequate infrastructure; and iv) diversifying the investor base.

RISK RATING AND VULNERABILITIES

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	31.2	26.3	20.5	13.9
ECF 5th Review	31.4	27.1	20.7	13.9
PV of Debt-to-Exports Ratio				
Current DSA	54.1	47.8	45.8	39.4
ECF 5th Review	54.3	49.1	45.6	38.5
Debt Service-to-Exports Ratio				
Current DSA	15.0	11.5	5.0	4.1
ECF 5th Review	15.0	11.3	4.9	4.0
Debt Service-to-Revenue Ratio				
Current DSA	33.9	25.5	9.1	6.2
ECF 5th Review	33.9	24.5	9.4	6.4

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

21. **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 the 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 slow progress in debt management reforms. Owing to higher oil prices and the downward trend in all the debt and solvency indicators, the breach in the debt service-to-revenue indicator is projected to be resolved by 2026. All this results in the overall and external debt being assessed as sustainable.

22. **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 of 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. Lower oil prices 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.[21] 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.

23. The market financing risk module indicates heightened liquidity pressures. A breach of one indicator would signal moderate market financing pressures, but in case of Congo and with the lack of data on EMBI prevents a full assessment of the liquidity pressures. Nevertheless, with Congo relying on only concessional financing in the medium term and planning on not issuing any market debt, the external debt vulnerabilities are expected to be contained in the medium run. [22]

24. 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).

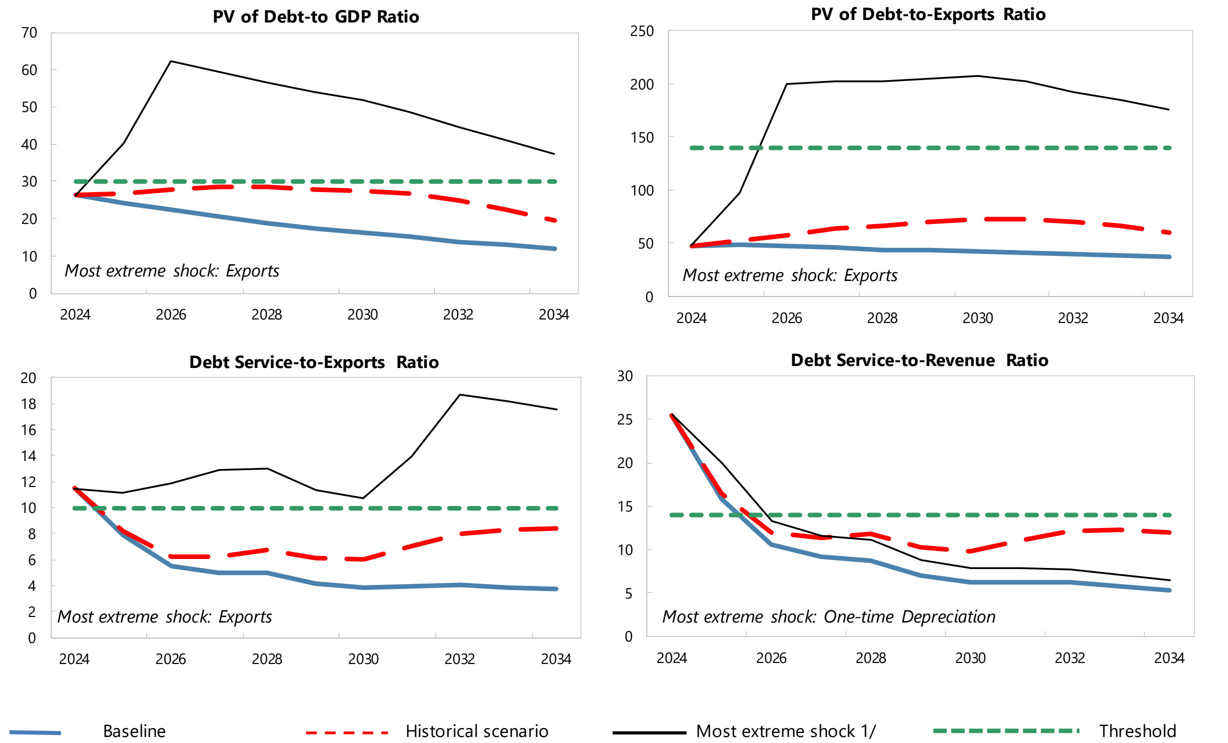
[21] However, thus far, the recently agreed new tax concessions have played in favor of increased investment by oil producers since the concessions have leveled the playing field across producers.

[22] 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/).

AUTHORITIES' VIEWS

25. **The authorities agreed with the staff's evaluation that Congo is in debt distress and that the debt remains sustainable on the back of ongoing accelerated debt repayment, economic recovery, and fiscal consolidation.** The authorities are committed to enhancing the debt management system by improving interdepartmental processes and communication, as well as strengthening cash flow management to prevent the re-emergence of external arrears, with the recent reorganization of the Caisse Congolaise d'Amortissement (CCA) supporting this endeavor. The authorities emphasized their commitment to resolving domestic arrears and managing domestic debt issuance prudently in line with Congo's funding needs. They aim to clear the majority of outstanding domestic arrears by the end of the decade, while stepping up PFM reforms to avoid new arrears.

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 2/	No	No
Market Financing	No	No

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

Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests*		
	Default	User defined
Shares of marginal Debt		
External PPG MLT debt	100%	
Terms of marginal Debt		
Avg. Nominal Interest Rate on new borrowing in USD	2.1%	2.1%
USD Discount Rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5

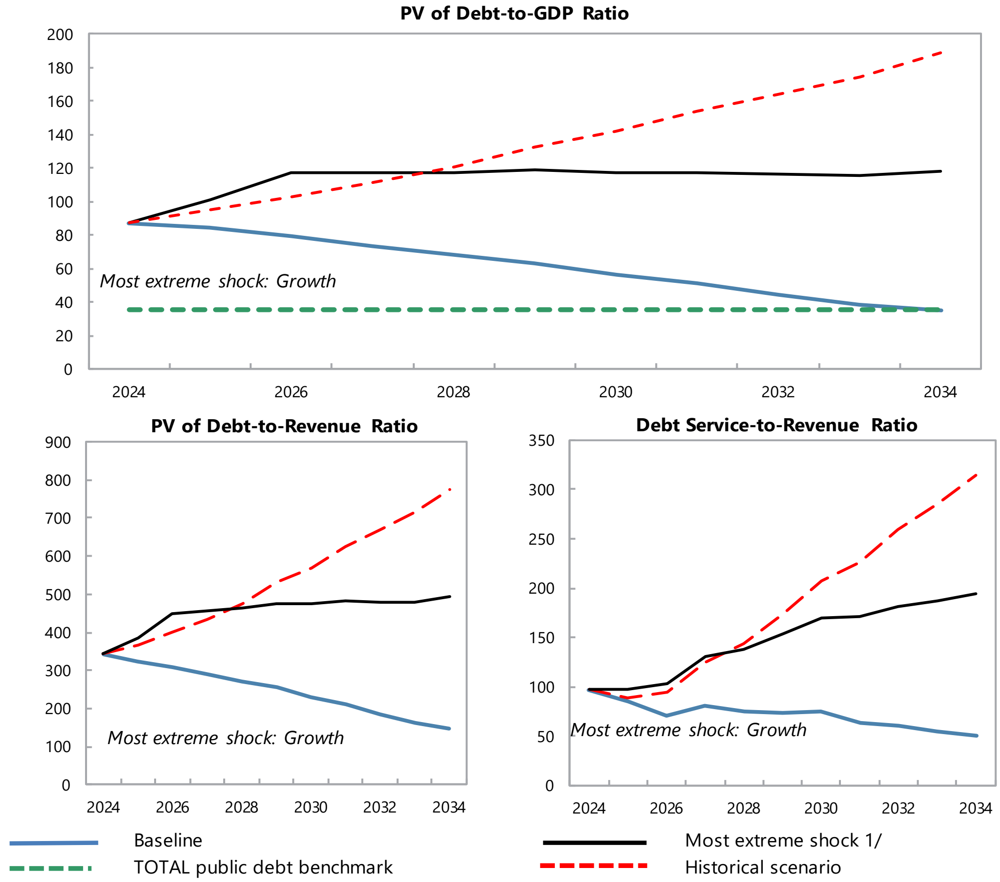
* Note: All the additional Financing Needs geneRated by the shocks under the stress tests are assumed to be covered by PPG External MLT Debt in the External DSA. Default terms of marginal Debt are based on baseline 10-year projections.

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.

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

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



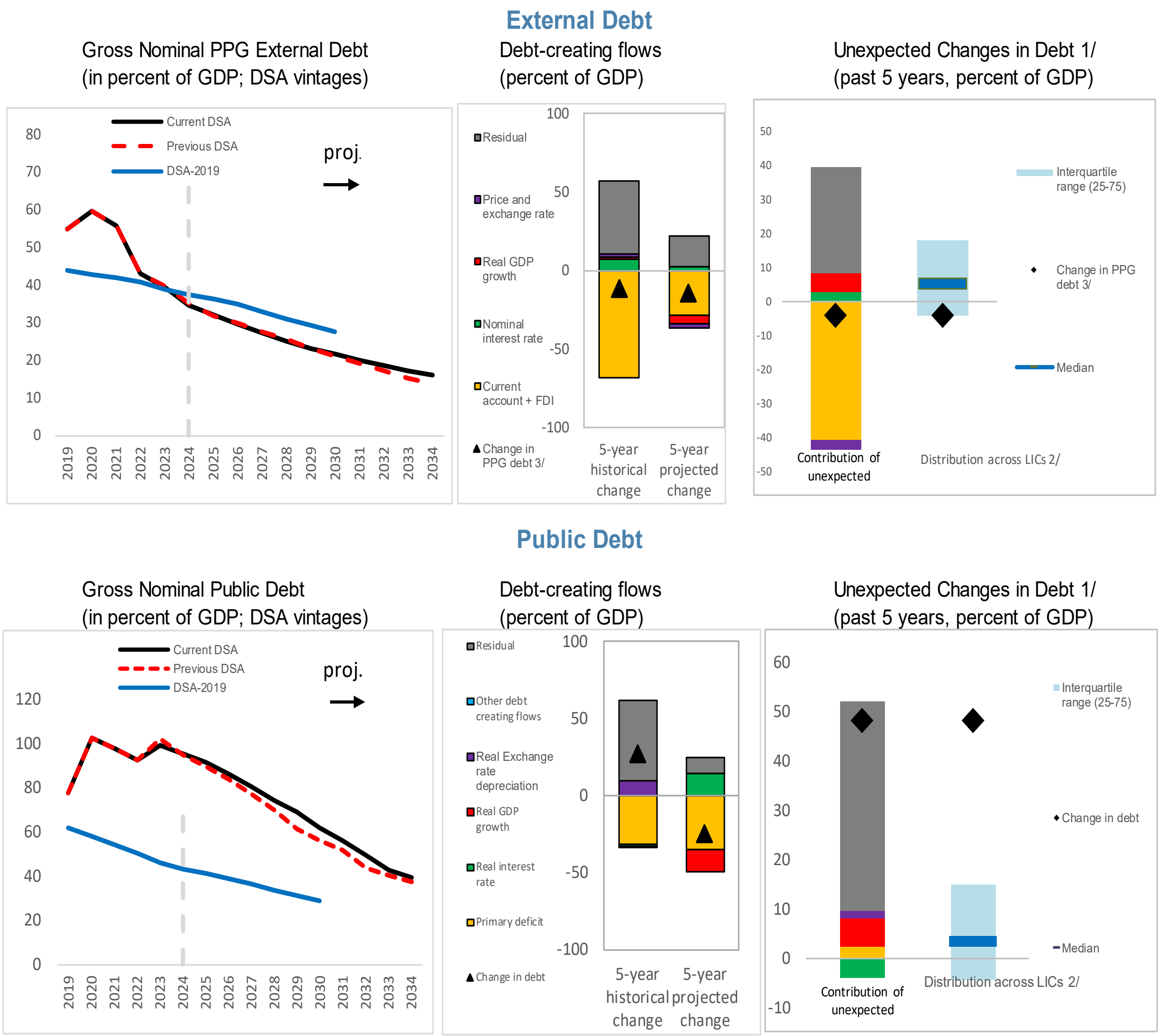
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	11%	11%
Domestic medium and long-term	50%	50%
Domestic short-term	39%	39%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest 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	7.1%	7.1%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	4.5%	4.5%

* 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.

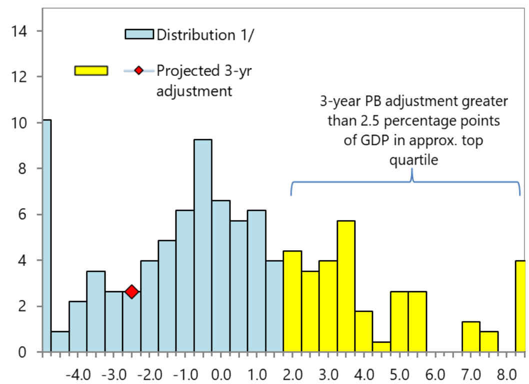
2/ Distribution across LICs for which LIC DSAs were produced.

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.

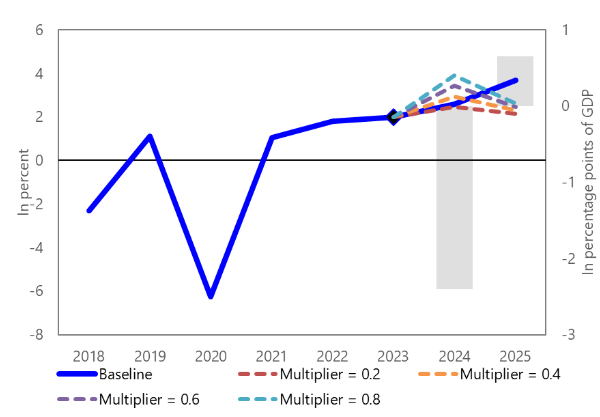
Figure 4. Republic of Congo: Realism Tools

Three-Year Adjustment in Primary Balance 1/

(Percentage points of GDP)

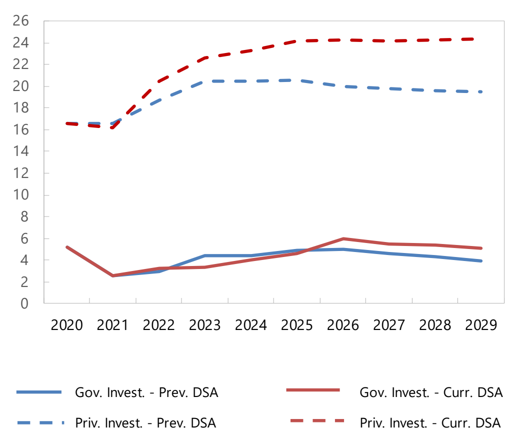


Fiscal Adjustment and Possible Growth Path 2/



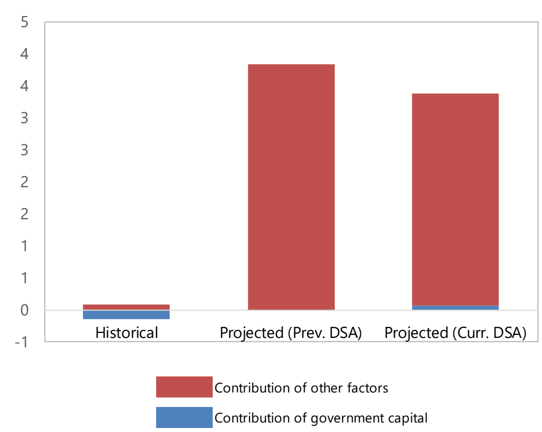
Public and Private Investment Rates 3/

(Percent of GDP)



Contribution to Real GDP Growth

(Percent, 5-year average)



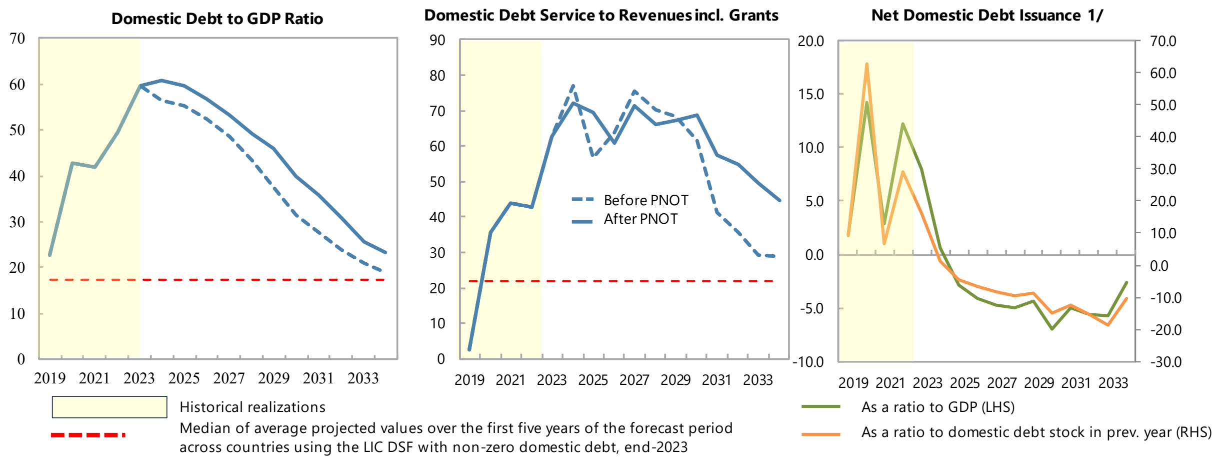
Sources: Congolese authorities and IMF staff estimates.

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: Indicators of Domestic Public Debt, 2019–2034
(Percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	56%
Short-term	44%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	7.1%
Avg. maturity (incl. grace period)	4
Avg. grace period	0
Domestic short-term debt	
Avg. real interest rate	4.5%

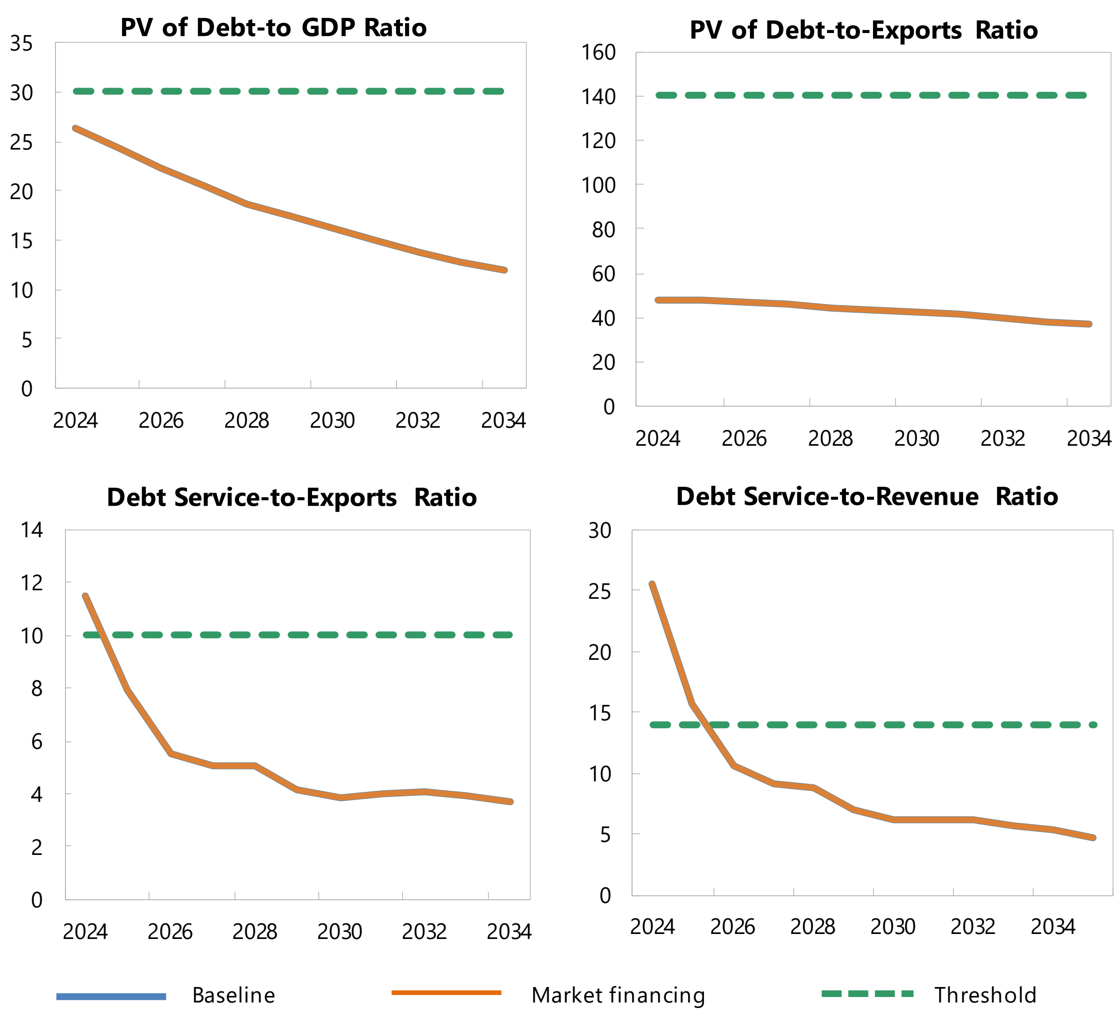
Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

Figure 6. Republic of Congo: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	18	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; and staff estimates and projections.

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

Table 1a. Republic of Congo: Gross Public Debt by Creditor, 2022–24[1]

	Dec 31, 2022			Jun 30, 2023 Prel.			Dec 31, 2023 Prel.			June 30, 2024 Prel.		
	CFAF billion	USD million	Percent of GDP	CFAF billion	USD million	Percent of GDP	CFAF billion	USD million	Percent of GDP	CFAF billion	USD million	Percent of GDP
Total Public Debt	**8040**	**12979**	**92.5**	**8155**	**13476**	**94.9**	**8508**	**14142**	**99.0**	**8701**	**14197**	**96.4**
External Debt	**3743**	**6042**	**43.1**	**3666**	**6058**	**42.7**	**3382**	**5622**	**39.4**	**3291**	**5370**	**36.4**
Of which: Arrears	312	504	3.6	302	499	3.5	298	495	3.5	306	499	3.4
Multilateral and Other Creditors	781	1261	9.0	862	1425	10.0	944	1569	11.0	1032	1684	11.4
		0	0.0									
Official Bilateral	1753	2830	20.2	1740	2875	20.2	1588	2639	18.5	1496	2442	16.6
Paris Club	282	455	3.2	283	468	3.3	293	488	3.4	246	402	2.7
Brazil	56	91	0.6	49	81	0.6	50	83	0.6	47	76	0.5
Belgium	81	131	0.9	65	107	0.8	56	93	0.7	37	60	0.4
France	123	199	1.4	30	50	0.4	28	46	0.3	25	41	0.3
Russia	19	31	0.2	35	57	0.4	28	47	0.3	12	19	0.1
Switzerland	2	3	0.0	150	248	1.7	168	280	2.0	143	234	1.6
Non-Paris Club	1472	2376	16.9	1457	2407	17.0	1294	2151	15.1	1250	2040	13.8
China	1222	1973	14.1	1212	2003	14.1	1060	1763	12.3	1029	1679	11.4
India	52	84	0.6	56	93	0.7	50	84	0.6	43	70	0.5
Kuwait	34	54	0.4	33	54	0.4	32	54	0.4	28	46	0.3
Saudi Arabia	49	79	0.6	48	79	0.6	47	79	0.6	48	79	0.5
Turkey	36	58	0.4	31	51	0.4	26	43	0.3	21	34	0.2
Pre-HIPC arrears (not restructured)	73	118	0.8	71	118	0.8	72	120	0.8	74	121	0.8
Private Creditors	1208	1950	13.9	1064	1758	12.4	851	1414	9.9	763	1244	8.4
Chinese companies	185	298	2.1	181	301	2.1	164	272	1.9	167	272	1.8
London Club (eurobond)	140	226	1.6	129	214	1.5	119	198	1.4	106	172	1.2
Oil-prepurchased Debt	625	1009	7.2	510	842	5.9	336	559	3.9	265	432	2.9
Afreximbank	32	52	0.4	19	31	0.2	6	10	0.1	0	0	0.0
Suppliers	226	364	2.6	226	373	2.6	226	375	2.6	226	368	2.5
Domestic Debt	**4297**	**6937**	**49.4**	**4489**	**7419**	**52.2**	**5125**	**8519**	**59.6**	**5410**	**8828**	**59.9**
BEAC Advances and SDR	735	1187	8.5	735	1215	8.6	731	1214	8.5	731	1192	8.1
Commercial Banks and Non-banks	2115	3413	24.3	2307	3812	26.8	2662	4425	31.0	3109	5073	34.4
Audited and Validated Arrears Reported by CCA	1447	2337	16.6	1447	2392	16.8	1733	2880	20.2	1570	2562	17.4

Sources: Congolese authorities; and IMF staff estimates

[1]Data updated until the end of June 2024

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	14,142	100.0	99.0	3,576	3,669	2,835		25.9	24.6	19.0
External	5,622	39.8	39.4	1,227	941	604		8.7	6.3	4.0
Multilateral creditors[2]	1,569	11.1	11.0	86	61	68		0.6	0.4	0.4
IMF	344	2.4	2.4	…	…	…	…	…	…	…
World Bank	609	4.3	4.3	…	…	…	…	…	…	…
ADB/AfDB/IADB	496	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	2,639	18.7	18.5	355	347	297		2.5	2.3	1.9
Paris Club	488	3.4	3.4	89	77	46		0.6	0.5	0.3
o/w: France	280	2.0	2.0	…	…	…	…	…	…	…
Belgium	93	0.7	0.7	…	…	…	…	…	…	…
Non-Paris Club	2,151	15.2	15.1	265	270	251		1.9	1.8	1.6
o/w: China	1,763	12.5	12.3	…	…	…	…	…	…	…
India	84	0.6	0.6	…	…	…	…	…	…	…
Commercial creditors	1,414	10.0	9.9	786	533	239		5.5	3.6	1.6
o/w: Bonds	198	1.4	1.4	39	38	40		0.3	0.3	0.3
o/w: Trafigura			-					0.0	0.0	0.0
Glencore			-					0.0	0.0	0.0
Other international creditors	1,216	8.6	8.5	747	495	199		5.3	3.3	1.3
o/w: Largest two creditors	559	4.0	3.9	…	…	…	…	…	…	…
o/w: Glencore	349	2.5	2.4							
o/w: Trafigura	210	1.5	1.5							
Others	657	4.6	4.6	…	…	…	…	…	…	…
Domestic[3]	8519	60.2	59.6	2349	2727	2231		16.6	18.3	14.5
T-Bills and Bonds[4]	4043	28.6	28.3	1216	1560	2214		8.6	10.5	14.4
Loans	1486	10.5	10.4	27	27	27		0.2	0.2	0.2
Memo items:										
Collateralized debt[4]										
o/w: Related	559	…	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).

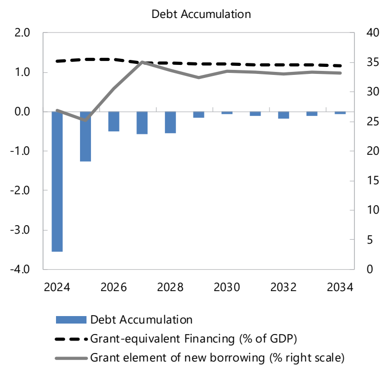
[6] Calculated with debt stock and GDP in local currency units.

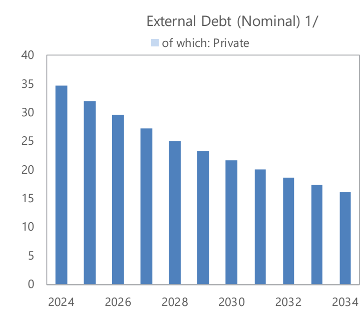
Table 2. Republic of Congo: External Debt Sustainability Framework, Baseline Scenario, 2021–44

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**	**34.7**	**32.0**	**29.6**	**27.3**	**25.0**	**23.2**	**16.2**	**9.8**	**51.9**	**24.1**
of which: Public and Publicly guaranteed (PPG)	**55.7**	**43.1**	**39.4**	**34.7**	**32.0**	**29.6**	**27.3**	**25.0**	**23.2**	**16.2**	**9.8**	**51.9**	**24.1**
Change in External Debt	-3.9	-12.7	-3.7	-4.7	-2.7	-2.4	-2.3	-2.3	-1.8	-1.2	-0.4		
Identified net Debt-Creating Flows	**-18.8**	**-11.0**	**-11.7**	**-7.2**	**-6.8**	**-6.3**	**-6.1**	**-4.7**	**-3.5**	**-0.6**	**0.2**	**-2.3**	**-4.1**
Non-Interest current account Deficit	**-13.8**	**-18.9**	**-8.1**	**-2.0**	**-0.8**	**-0.8**	**-0.9**	**0.2**	**1.4**	**4.1**	**2.8**	**-3.1**	**1.0**
Deficit in balance of goods and Services	-24.4	-28.5	-16.1	-11.2	-8.5	-8.1	-7.6	-6.4	-4.9	-0.8	1.3	**-8.4**	**-5.4**
Exports	57.9	69.7	57.7	54.9	50.3	47.5	44.7	42.4	40.0	32.5	21.6		
Imports	33.5	41.2	41.6	43.7	41.8	39.4	37.2	36.0	35.1	31.7	22.9		
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	9.9	8.5	8.2	7.6	7.5	7.2	5.9	2.3	**4.9**	**7.3**
Net FDI (negative = inFlow)	**2.5**	**9.0**	**-4.6**	**-4.9**	**-5.2**	**-5.0**	**-4.7**	**-4.3**	**-4.3**	**-4.4**	**-2.4**	**-1.1**	**-4.6**
Endogenous Debt Dynamics 2/	**-7.6**	**-1.1**	**1.0**	**-0.3**	**-0.7**	**-0.6**	**-0.5**	**-0.6**	**-0.5**	**-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	0.2		
Contribution from Real GDP Growth	-0.5	-1.0	-0.8	-1.0	-1.2	-1.0	-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**	**2.5**	**4.0**	**4.0**	**3.8**	**2.4**	**1.7**	**-0.5**	**-0.6**	**3.8**	**2.0**
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	**...**	**...**	**31.2**	**26.3**	**24.2**	**22.3**	**20.5**	**18.7**	**17.4**	**12.0**	**7.0**		
PV of PPG External Debt-to-Exports Ratio	**...**	**...**	**54.1**	**47.8**	**48.2**	**47.0**	**45.8**	**44.1**	**43.5**	**36.8**	**32.6**		
PPG Debt Service-to-Exports Ratio	**12.7**	**15.4**	**15.0**	**11.5**	**7.9**	**5.5**	**5.0**	**5.0**	**4.2**	**3.7**	**2.6**		
PPG Debt Service-to-Revenue Ratio	**33.2**	**34.5**	**33.9**	**25.5**	**15.8**	**10.5**	**9.1**	**8.8**	**7.0**	**5.3**	**2.5**		
Gross External Financing Need (Million of U.S. dollars)	-525.7	112.6	-568.4	-81.3	-319.0	-513.4	-574.0	-371.4	-252.1	268.0	514.9		
Key Macroeconomic Assumptions													
Real GDP Growth (in percent)	1.1	1.8	2.0	2.6	3.7	3.4	3.4	3.8	3.8	3.8	3.9	**-1.0**	**3.6**
GDP deflator in US dollar terms (change in percent)	15.3	2.5	-0.5	2.7	-0.4	2.7	2.6	2.7	2.9	3.1	3.1	**0.0**	**2.6**
Effective Interest Rate (percent) 4/	1.8	2.3	3.8	1.7	1.5	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)	-2.7	25.6	-16.0	0.2	-5.4	0.3	0.0	1.0	0.6	2.8	8.7	**2.1**	**0.9**
Growth of imports of G&S (US dollar terms, in percent)	36.7	28.2	2.4	10.6	-1.2	0.0	0.2	3.3	4.0	4.4	5.5	**0.6**	**3.7**
Grant element of new Public Sector borrowing (in percent)	...	...	...	26.9	25.2	30.6	35.0	33.6	32.5	33.2	32.6	**...**	**31.8**
Government Revenues (excluding Grants, in percent of GDP)	22.1	31.2	25.6	24.7	25.2	25.0	24.7	24.3	23.9	22.8	21.7	**24.9**	**24.0**
Aid Flows (in Million of US dollars) 5/	120.8	86.6	119.0	297.5	299.6	339.5	320.4	309.2	329.9	433.9	623.2		
Grant-equivalent Financing (in percent of GDP) 6/	...	...	...	1.3	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/	...	...	...	42.9	44.6	52.7	60.8	60.9	61.4	65.1	64.9	**...**	**58.5**
Nominal GDP (Million of US dollars)	13,387	13,967	14,169	14,929	15,409	16,362	17,369	18,511	19,767	27,739	53,199		
Nominal dollar GDP Growth	16.6	4.3	1.4	5.4	3.2	6.2	6.2	6.6	6.8	7.0	7.1	**-1.0**	**6.3**
Memorandum items:													
PV of External Debt 7/	...	...	31.2	26.3	24.2	22.3	20.5	18.7	17.4	12.0	7.0		
In percent of Exports	...	...	54.1	47.8	48.2	47.0	45.8	44.1	43.5	36.8	32.6		
Total External Debt Service-to-Exports Ratio	12.7	15.4	15.0	11.5	7.9	5.5	5.0	5.0	4.2	3.7	2.6		
PV of PPG External Debt (in Million of US dollars)			4422.5	3920.6	3731.4	3655.0	3560.6	3465.0	3435.1	3316.7	3744.1		
(PVt-PVt-1)/GDPt-1 (in percent)				-3.5	-1.3	-0.5	-0.6	-0.6	-0.2	-0.1	0.3		
Non-Interest current account Deficit that Stabilizes Debt Ratio	-9.8	-6.2	-4.4	2.7	1.9	1.6	1.4	2.5	3.2	5.3	3.2		

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 $[r - g - \rho(1+g)]/(1+g+\rho+g\rho)$ 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.

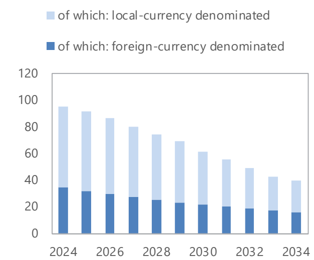
Table 3. Republic of Congo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021–44

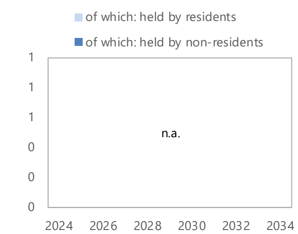
(Percent of GDP, unless otherwise indicated)

	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	95.4	91.7	86.5	80.4	74.2	69.1	39.4	33.7	83.0	67.9
of which: external Debt	55.7	43.1	39.4	34.7	32.0	29.6	27.3	25.0	23.2	16.2	9.8	51.9	24.1
Change in Public Sector Debt	-4.7	-5.3	6.5	-3.6	-3.7	-5.2	-6.0	-6.2	-5.1	-3.4	0.2		
Identified Debt-Creating Flows	-8.9	-20.2	-5.8	-7.4	-6.7	-6.5	-7.1	-7.6	-7.5	-5.0	-1.0	2.6	-6.9
Primary Deficit	-3.7	-11.6	-9.0	-6.6	-7.2	-6.6	-7.1	-7.6	-7.5	-4.7	-1.3	0.6	-6.8
Revenue and Grants	22.6	31.8	26.5	25.4	26.0	25.8	25.5	25.2	24.7	23.7	22.4	25.5	24.8
of which: Grants	0.4	0.6	0.8	0.7	0.8	0.8	0.8	0.8	0.8	0.9	0.7		
Primary (noninterest) Expenditure	18.9	20.2	17.5	18.8	18.8	19.2	18.4	17.5	17.2	19.0	21.1	26.1	18.0
Automatic Debt Dynamics	-5.3	-8.6	3.2	-0.9	0.5	0.0	0.0	0.0	0.0	-0.3	0.3		
Contribution from Interest Rate/Growth differential	-6.0	-8.2	1.5	-0.9	0.5	0.0	0.0	0.0	0.0	-0.3	0.3		
of which: Contribution from average Real Interest Rate	-4.9	-6.5	3.3	1.7	3.9	3.0	2.9	2.9	2.7	1.3	1.5		
of which: Contribution from Real GDP Growth	-1.1	-1.7	-1.8	-2.5	-3.4	-3.0	-2.9	-2.9	-2.7	-1.6	-1.2		
Contribution from Real Exchange Rate Depreciation	0.7	-0.3	1.6	...	...	...	...	...	...	...	...		
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	3.0	1.3	1.1	1.4	2.4	1.6	1.3	3.9	1.4
Sustainability Indicators													
PV of Public Debt-to-GDP Ratio 2/	...	...	90.6	87.3	84.0	79.2	73.7	67.9	63.3	35.2	30.9		
PV of Public Debt-to-Revenue and Grants Ratio	...	...	342.2	343.8	323.3	307.5	289.4	269.9	255.9	148.7	137.9		
Debt Service-to-Revenue and Grants Ratio 3/	76.5	76.7	95.4	96.8	84.9	70.9	80.1	74.5	73.8	49.7	42.8		
Gross Financing Need 4/	13.6	12.8	16.3	18.0	14.8	11.7	13.3	11.1	10.7	7.0	8.3		
Key Macroeconomic and Fiscal Assumptions													
Real GDP Growth (in percent)	1.1	1.8	2.0	2.6	3.7	3.4	3.4	3.8	3.8	3.8	3.9	-1.0	3.6
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	3.3	6.8	5.4	5.4	5.9	6.0	5.6	6.9	1.8	5.5
Real Exchange Rate Depreciation (in percent, + indicates Depreciation)	1.2	-0.6	3.8	...	...	...	...	...	...	...	...	5.2	...
Inflation Rate (GDP deflator, in percent)	11.2	15.1	-3.1	2.4	1.2	3.1	2.9	2.9	2.8	3.1	3.1	1.5	2.8
Growth of Real Primary spending (deflated by GDP deflator, in percent)	-4.1	8.8	-11.5	10.3	3.3	5.8	-1.2	-0.9	1.7	10.8	4.0	-7.4	4.4
Primary Deficit that Stabilizes the Debt-to-GDP Ratio 5/	1.1	-6.3	-15.5	-3.0	-3.5	-1.3	-1.1	-1.4	-2.4	-1.4	-1.5	-6.9	-1.3
PV of Contingent Liabilities (not included in Public Sector Debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public Sector Debt 1/





Sources: Country authorities; and staff estimates and projections.

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

2/ The underlying PV of external Debt-to-GDP Ratio under the Public DSA differs from the external DSA with the size of differences depending on Exchange Rates projections.

3/ Debt Service is defined as the sum of Interest and amortization of medium and long-term, and short-term Debt.

4/ Gross Financing Need is defined as the Primary Deficit plus Debt Service plus the stock of short-term Debt at the end of the last period and other Debt Creating/Reducing Flows.

5/ Defined as a Primary Deficit minus a change in the Public Debt-to-GDP Ratio ((-): a Primary surplus), which would Stabilizes the Debt Ratio only in the year in question.

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

Table 4. Republic of Congo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2024–34

(Percent)

	Projections 1/										
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
						PV of debt-to GDP ratio					
Baseline	26	24	22	20	19	17	16	15	14	13	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	26	27	28	28	28	28	27	27	25	22	19
B. Bound Tests											
B1. Real GDP growth	26	28	30	27	25	23	22	20	18	17	16
B2. Primary balance	26	26	28	27	26	26	26	25	25	24	24
B3. Exports	26	**40**	**62**	**59**	**56**	**54**	**52**	**49**	**45**	**41**	**37**
B4. Other flows 3/	26	**43**	**59**	**57**	**54**	**52**	**50**	**47**	**43**	**39**	**36**
B5. Depreciation	26	**31**	28	25	23	21	20	19	17	16	15
B6. Combination of B1-B5	26	**46**	**61**	**58**	**55**	**52**	**50**	**47**	**43**	**39**	**36**
C. Tailored Tests											
C1. Combined contingent liabilities	26	26	25	24	23	22	22	21	20	20	19
C2. Natural disaster	26	25	24	22	21	20	19	18	17	17	16
C3. Commodity price	26	**32**	**37**	**36**	**34**	**33**	**32**	**30**	28	26	24
C4. Market Financing	26	24	22	20	19	17	16	15	14	13	12
Threshold	30	30	30	30	30	30	30	30	30	30	30
						PV of debt-to-exports ratio					
Baseline	48	48	47	46	44	43	43	41	39	38	37
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	48	53	58	64	67	70	72	73	71	66	60
B. Bound Tests											
B1. Real GDP growth	48	48	47	46	44	43	43	41	39	38	37
B2. Primary balance	48	51	58	60	62	65	68	69	70	72	73
B3. Exports	48	97	**200**	**202**	**203**	**205**	**207**	**203**	**193**	**184**	**176**
B4. Other flows 3/	48	85	124	126	127	130	131	128	122	116	111
B5. Depreciation	48	48	46	45	43	42	42	40	38	37	36
B6. Combination of B1-B5	48	92	99	136	136	138	139	134	128	122	117
C. Tailored Tests											
C1. Combined contingent liabilities	48	52	53	53	53	55	57	57	57	58	59
C2. Natural disaster	48	52	52	51	51	51	52	51	51	51	51
C3. Commodity price	48	78	93	93	91	90	88	86	83	80	77
C4. Market Financing	48	48	47	46	44	43	43	41	39	38	37
Threshold	140	140	140	140	140	140	140	140	140	140	140
						Debt service-to-exports ratio					
Baseline	**11**	8	6	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	6	6	7	8	8	8
B. Bound Tests											
B1. Real GDP growth	**11**	8	6	5	5	4	4	4	4	4	4
B2. Primary balance	**11**	8	6	6	6	5	5	5	6	6	6
B3. Exports	**11**	**11**	**12**	**13**	**13**	**11**	**11**	**14**	**19**	**18**	**18**
B4. Other flows 3/	**11**	8	7	7	7	6	6	9	**12**	**11**	**11**
B5. Depreciation	**11**	8	6	5	5	4	4	4	4	4	4
B6. Combination of B1-B5	**11**	9	9	9	9	8	7	**11**	**12**	**12**	**12**
C. Tailored Tests											
C1. Combined contingent liabilities	**11**	8	6	5	5	4	4	4	5	4	4
C2. Natural disaster	**11**	8	6	5	5	4	4	4	4	4	4
C3. Commodity price	**11**	10	7	7	7	6	5	7	8	8	7
C4. Market Financing	**11**	8	6	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	**25**	**16**	11	9	9	7	6	6	6	6	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**25**	**16**	12	11	12	10	10	11	12	12	12
B. Bound Tests											
B1. Real GDP growth	**25**	**18**	14	12	12	9	8	8	8	8	7
B2. Primary balance	**25**	**16**	11	10	10	8	8	8	9	8	8
B3. Exports	**25**	**18**	**15**	**15**	**15**	12	11	**14**	**19**	**17**	**16**
B4. Other flows 3/	**25**	**16**	13	13	13	11	10	**14**	**18**	**17**	**16**
B5. Depreciation	**25**	**20**	13	12	11	9	8	8	8	7	7
B6. Combination of B1-B5	**25**	**18**	**16**	**15**	**15**	12	11	**16**	**18**	**17**	**16**
C. Tailored Tests											
C1. Combined contingent liabilities	**25**	**16**	11	9	9	7	7	7	7	6	6
C2. Natural disaster	**25**	**16**	11	9	9	7	6	7	7	6	6
C3. Commodity price	**25**	**18**	13	13	12	10	9	10	11	11	10
C4. Market Financing	**25**	**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	**87**	**84**	**79**	**74**	**68**	**63**	**56**	**51**	**45**	**38**	**35**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**87**	**95**	**103**	**111**	**121**	**132**	**142**	**154**	**164**	**175**	**189**
B. Bound Tests											
B1. Real GDP growth	**87**	**101**	**117**	**118**	**118**	**119**	**117**	**117**	**116**	**115**	**118**
B2. Primary balance	**87**	**101**	**116**	**112**	**106**	**102**	**95**	**90**	**84**	**77**	**74**
B3. Exports	**87**	**94**	**106**	**100**	**93**	**88**	**81**	**74**	**66**	**58**	**53**
B4. Other flows 3/	**87**	**103**	**116**	**110**	**103**	**98**	**90**	**83**	**74**	**65**	**59**
B5. Depreciation	**87**	**86**	**79**	**72**	**65**	**59**	**52**	**45**	**38**	31	27
B6. Combination of B1-B5	**87**	**95**	**106**	**103**	**100**	**98**	**93**	**90**	**86**	**82**	**81**
C. Tailored Tests											
C1. Combined contingent liabilities	**87**	**106**	**101**	**96**	**90**	**85**	**78**	**73**	**67**	**60**	**57**
C2. Natural disaster	**87**	**95**	**91**	**86**	**80**	**76**	**69**	**64**	**58**	**52**	**49**
C3. Commodity price	**87**	**90**	**95**	**100**	**104**	**108**	**108**	**108**	**107**	**106**	**109**
C4. Market Financing	**87**	**84**	**79**	**74**	**68**	**63**	**56**	**51**	**45**	**38**	**35**
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	344	323	307	289	270	256	230	211	186	161	149
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	344	366	399	435	477	530	570	626	668	714	775
B. Bound Tests											
B1. Real GDP growth	344	386	450	457	462	476	473	481	479	478	494
B2. Primary balance	344	390	449	438	423	413	389	372	347	324	312
B3. Exports	344	363	411	392	371	357	329	306	273	242	223
B4. Other flows 3/	344	395	450	431	410	395	367	342	306	271	250
B5. Depreciation	344	331	308	285	260	241	211	188	159	130	114
B6. Combination of B1-B5	344	367	410	404	396	395	380	372	357	342	341
C. Tailored Tests											
C1. Combined contingent liabilities	344	407	392	375	357	345	320	302	277	253	241
C2. Natural disaster	344	367	352	336	318	306	282	264	241	217	206
C3. Commodity price	344	387	410	441	451	462	452	445	442	442	456
C4. Market Financing	344	323	307	289	270	256	230	211	186	161	149
Debt Service-to-Revenue Ratio											
Baseline	97	85	71	80	75	74	75	63	61	55	50
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	97	88	94	125	143	173	207	226	259	286	315
B. Bound Tests											
B1. Real GDP growth	97	98	103	131	138	153	170	170	181	188	195
B2. Primary balance	97	85	113	158	146	150	152	138	134	128	122
B3. Exports	97	85	72	83	77	77	77	68	69	63	57
B4. Other flows 3/	97	85	73	84	78	78	78	71	72	65	60
B5. Depreciation	97	81	69	75	71	70	70	60	57	51	46
B6. Combination of B1-B5	97	87	82	95	97	104	112	107	111	111	111
C. Tailored Tests											
C1. Combined contingent liabilities	97	85	120	121	116	120	118	105	101	95	89
C2. Natural disaster	97	86	95	101	96	98	99	87	85	79	74
C3. Commodity price	97	97	84	99	115	131	145	145	157	164	172
C4. Market Financing	97	85	71	80	75	74	75	63	61	55	50

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

INTERNATIONAL MONETARY FUND

REPUBLIC OF CONGO

March 7, 2025

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

Approved By **Vitaliy Kramarenko (AFR) and Niamh Sheridan (SPR)**

Prepared by the African Department in consultation with LEG and SPR

This statement provides information on a debt refinancing operation that has become available since the staff report (EBS/25/8) was issued to the board on February 12, 2025. This information does not alter staff's assessment of policy issues and recommendations contained in the staff report.

1. **The Republic of Congo carried out a debt refinancing operation on a previously collateralized external loan.** This information has become available to staff after circulation of the staff report for the sixth review under the Extended Credit Facility arrangement to the Board. The authorities indicated that they inadvertently omitted from reporting to staff in the context of discussions under the sixth review under the Extended Credit Facility Arrangement (ECF), i.e., due to having missed respective stipulations of the Technical Memorandum of Understanding (TMU). The refinancing operation covered USD$221 million (1.5 percent of GDP) in external debt that were due to an oil trading company as of end-December 2024. This debt was replaced by debts to two other oil trading companies, totaling USD$225 million (1.5 percent of GDP). Based on the contractual terms of the loans, the present value (PV) of the new loans together increased the PV of total debt by 0.1 percent of GDP, and without an improvement in the overall debt service profile. As such, the transaction does not materially affect the Debt Sustainability Analysis (DSA) (Figure 1).

2. **Nevertheless, the refinancing operation implied that the continuous quantitative performance criterion (QPC) on the zero ceiling on natural resources-related external debt and the zero ceiling on non-concessional external debt were**

not met in December 2024. The delayed reporting to the Fund stems from capacity constraints, including coordination issues between the Ministry of Finance and Budget and the national oil company SNPC, the latter being responsible for managing the natural-resources-related loans. The authorities request a waiver of non-observance of the QPC on the zero ceiling on natural resources-related external debt based on the following corrective actions to be implemented by the time of the Board meeting. First, they will establish a technical committee consisting of staff of the CCA, the Ministry of Finance, and the SNPC, to ensure smooth and timely exchange of information concerning transactions related to external debt, including those guaranteed with future natural resources. This involves a monthly meeting with a submission by the CCA to the cabinet of the Ministry of Finance to report on debt stocks, debt service payments made and upcoming, and early and prior notification of any debt operations under consideration, including new issuance, refinancing, or early prepayments. Exceptional meetings of the technical committee will be conveyed as needed to report urgent and significant updates. Furthermore, the authorities will strengthen the legal advisor team at the cabinet of the Ministry of Finance to facilitate enhanced capacity in interpreting financing arrangements with the Fund and other development partners. Finally, they will request IMF technical assistance with the aim to further develop respective capacities at the CCA, the Ministry of Finance, and other public institutions involved in debt management. As for the QPC on the zero ceiling on non-concessional external debt, the authorities request a waiver based on the relatively small size of the deviation.

3. **Considering that the implied deviation from the 2024 debt stock is minor and in light of the corrective actions**, staff therefore supports the authorities' request for waivers of nonobservance of the quantitative performance criteria aforementioned. Notwithstanding the non-observance, the program is still on track, with the authorities reiterating their continued commitment to it, and their interest in a successor arrangement.

4. **Table 1 attached to this supplement updates "Table 1. Republic of Congo: Quantitative Performance Criteria (PC) and Indicative Targets (IT), 2023–24" attached to the original LOI and MEFP.**

Figure 1. Republic of Congo: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2024–2034

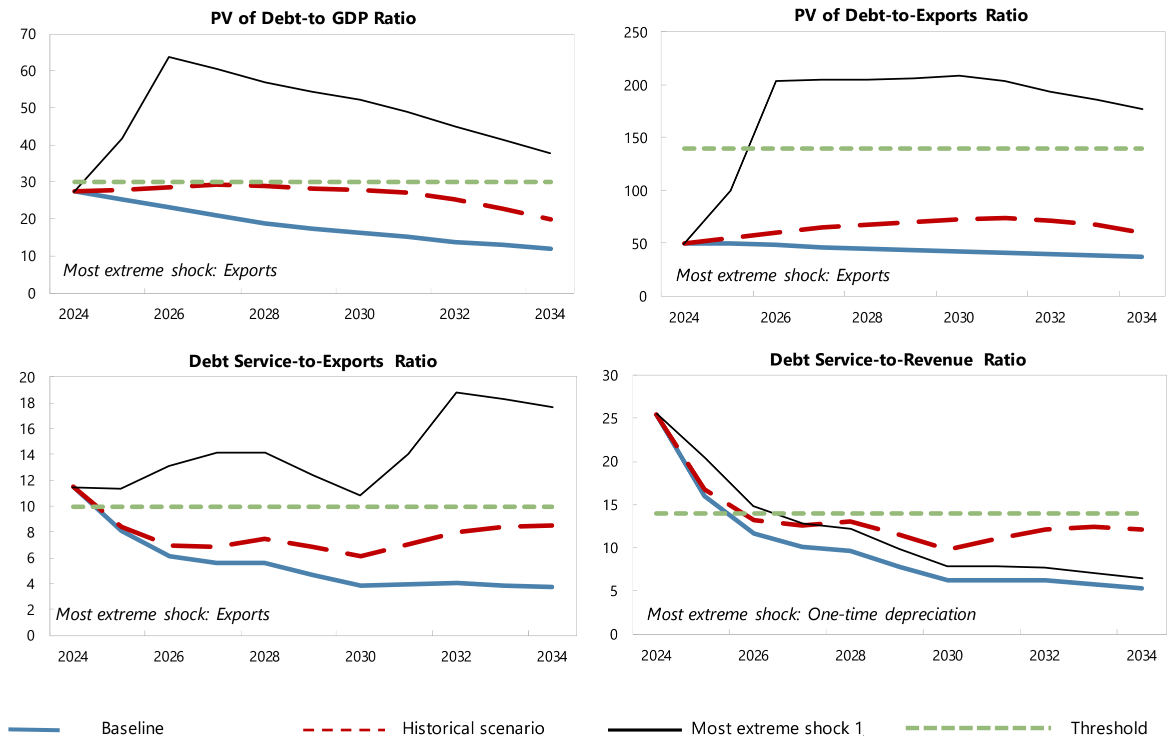


Table 1. Republic of Congo: Quantitative Performance Criteria (PC) and Indicative Targets (IT), 2023–24

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

	Type of criteria	End-Dec 2023				End-Mar 2024				End-June 2024				End-Sept 2024		
		PC Program	PC Modified Program	Actual	Status	IT Program	IT Modified Program	Actual	Status	PC Program	PC Modified Program	Actual	Status	IT Program	Actual[10]	Status
Floor on basic non-hydrocarbon primary budget balance (excluding oil-related transfers)[2]	PC	-459	-459	-369	Met	-132	-147	-34	Met	-290	-304	-206	Met	-442	-229	Met
Adjusted target (floor)			-433				-78				-323			-406		
Upward adjustment for higher than expected oil-related transfers			0				0				0			0		
Downward (Upward) adjustment for higher (lower) than expected net external assistance and upward adjustment for lower hydrocarbon revenue			26				69				-19			36		
Ceiling on net domestic financing of the central government	PC	-67	153	158	Met	-33	-10	-109	Met	6	60	-18	Met	77	70	Met
Adjusted target (ceiling)			179				59				27			113		
Downward (Upward) adjustment for higher (lower) than expected net external assistance and hydrocarbon revenue			26				69				-33			36		
Ceiling on accumulation of new arrears on external debt contracted or guaranted by the central government[3]	PC	0	0	0	Met	0	0	29	Not Met	0	0	0	Met	0	68	Not Met
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	4	Not Met
Ceiling on new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries (US$ million)[3,6]	PC	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	4	Not Met
Floor on non-hydrocarbon revenues	IT	868	880	875	Not Met	224	232	232	Met	472	462	481	Met	715	738	Met
Floor for social and poverty-reducing spending	IT	402	308	232	Not Met	85	82	55	Not Met	165	165	155	Not Met	247	223	Not Met
Ceiling on disbursements of external loans for investment projects	IT	164	165	62	Met	62	58	50	Met	105	109	71	Met	153	104	Met
Ceiling on new concessional external debt contracted or guaranteed by the central government (CFAF billion)[4,7]	IT	143	216	135	Met	174	216	172	Met	216	216	264	Not Met	216	264	Not Met
Floor on repayment of domestic arrears accumulated by the central government	IT	110	379	450	Met	21	20	48	Met	41	68	62	Not Met	119	62	Not Met
Memo items:																
Hydrocarbon revenue[8]		1195	1205	1201		321	347	208		681	522	536		865	745	
Expected external assistance, net[9]		-484	-401	-449		-91	-108	-106		-195	-206	-168		-308	-261	
- BoP assistance (IMF-ECF)		105	105	106		0	0	0		26	26	0		26	26	
- Budgetary loans and grants (excl. IMF)		194	196	149		38	6	4		33	32	14		48	36	
Payments for current external debt amortization due after debt relief		678	597	599		129	114	110		228	238	182		356	297	

[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] The reported new external arrears were accumulated over the period from July 2024 to January 2025. The new non-concessional external debt and oil-backed external debt reported in the table reflect the additional USD 4 million resulting from the refinancing of an outstanding USD 221 million debt owed to an oil trading company in December 2024, replaced by USD 225 million owed to two other oil trading companies.

Supplementary Letter of Intent

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

March 5, 2025

U.S.A.

Madam Managing Director :

1. In addition to our Letter of Intent dated February 07, 2025, we wish to provide additional information concerning an external debt of $221 million owed to an oil trading company, which Congo refinanced with facilities from two other oil trading companies for a similar amount. As this refinancing operation did not comply with the Technical Memorandum of Understanding, it became a breach for program purposes, as we inadvertently missed to consult with Fund staff beforehand.

2. We are addressing the capacity constraints faced by the Caisse Congolaise d'Amortissement (CCA), including coordination issues among relevant stakeholders which resulted in the failure of promptly informing the IMF of this transaction. To this end, we commit by the time of the Board meeting to: (i) establish a technical committee consisting of staff of the CCA, the Ministry of Finance, and the SNPC, to ensure smooth and timely exchange of information concerning any transactions related to external debt, including those guaranteed with future natural resources; this involves a monthly meeting with a submission by the CCA to the cabinet of the Ministry of Finance to report on debt stocks, debt service payments made and upcoming, and early and prior notification of any debt operations under consideration, including new issuance, refinancing, or early prepayments (exceptional meetings of the technical committee will be conveyed as needed to report urgent and significant updates); (ii) strengthen the legal advisor team at the cabinet of the Ministry of Finance to facilitate enhanced capacity in interpreting financing arrangements with the Fund and contractual agreements with our external partners; and (iii) request technical assistance from the Fund that will further develop respective capacities at the CCA, the Ministry of Finance and other public institutions involved in the management and reporting of our public debt. We observe that the refinancing operation does not deteriorate in a significant way our debt position as of end-2024. There are no other new collateralized loans since this transaction.

3. Bearing in mind the program achievements to date, the commitments set out in the MEFP, the debt neutrality of the refinancing operation and the additional corrective actions listed above, we request waivers for non-observance of the continuous performance criterion on the zero ceiling on collateralized external debt and the zero ceiling on new external non-concessional debt. We are convinced that the policies, corrective actions, and reform commitments agreed

upon in the sixth review under the three-year ECF are sufficient to support a continued success of our reform agenda.

Sincerely,

/s/

Christian Yoka

Minister of Finance and Budget

Brazzaville, Republic of Congo

Statement by the IMF Staff Representative on the Republic of Congo

March 12, 2025

1. **This statement provides information that has become available since the issuance of the staff report and supplement**. This information does not alter staff's assessment of policy issues and recommendations contained in the staff report and supplement.

2. **The prior action on the full clearance of all outstanding program external arrears to multilaterals accumulated during H2 2024 has been met**.

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

March 12, 2025

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. In the face of challenging domestic and external circumstances of the past several years, IMF support through surveillance, capacity building, and financial assistance under the Extended Credit Facility (ECF) has been instrumental in supporting the authorities' efforts to strengthen macroeconomic management and advance the implementation of key structural reforms. This reform agenda is embedded in the country's National Development Plan for 2022–26 (PND 2022–26) and aligned with the regional economic and financial reforms program (PREF-CEMAC). The authorities broadly concur with the thrust of staff's assessment of performance under the ECF arrangement and the identified policy priorities to lift Congo out of fragility and address the development challenges it faces.
The conclusion of the sixth review under the ECF will mark the country's first successful completion of a Fund- supported program since 2011, underpinned by the authorities' program ownership, including at the highest level of government, together with the valued constructive engagement with Fund staff.

The authorities have steadily implemented their macroeconomic program and advanced structural reforms, contributing to the economy's resilience. Notwithstanding the deemed mixed program performance during the period under review, notable efforts aimed at preserving macroeconomic stability and deepening structural reforms have continued. Also, the authorities are committed to sustaining the reform momentum guided by the PND 2022–26 and PREF-CEMAC to build on gains achieved under the current ECF- supported program, and double efforts to enable a conducive environment for private sector development to promote economic diversification and nurture strong inclusive growth needed to reduce poverty.

RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

Recent Economic Developments

Economic growth picked up in 2024 but was weaker than projected while inflation was broadly as expected. Real GDP growth is estimated at 2.6 percent compared with 2 percent in 2023 and 2.8 percent projected at the time of the fifth review under the ECF. The downward revision reflects weaker growth of the hydrocarbon sector associated with technical problems in major oil fields. Year-on-year inflation at end-2024 is estimated to have decelerated to 3.9 percent from 5.6 percent a year earlier, owing in part to lower imports costs.

The fiscal stance was tighter than anticipated under the program while the external current account balance was weaker than projected. Reflecting an overperformance of non-hydrocarbon revenue and an under-execution of social and capital spending, the non- hydrocarbon primary deficit was lower than projected in 2024H1 and the trend is estimated to have continued during the remainder of the year. For 2024, as a whole, the non- hydrocarbon primary deficit is estimated at 9 percent of non-hydrocarbon GDP, one full percentage point better than projected. In the external sector, the current account surplus fell to 1.3 percent of GDP compared with a 2.1 percent of GDP projected at the time of the fifth review, reflecting primarily lower oil exports proceeds and a higher oil imports bill.

The government-initiated debt reprofiling and refinancing operations to ease debt service pressures. With the bulk of government securities maturing in 2025–26 in a context of waning banks' appetite for Congo's debt, the authorities conducted during October– November a voluntary debt reprofiling of outstanding treasuries, the *Programme National d'Optimisation de la Trésorerie (PNOT)*, to smooth out recurrent rollover needs and reduce liquidity risks in the medium-term. The reprofiling envisaged an exchange of the CFAF- equivalent of US$ 3.8 billion of Congo's outstanding domestic debt obligations— representing 43 percent of total local currency-denominated public debt and 26 percent of GDP—for new debt instruments with longer maturities while maintaining the same face value and coupon rate and paying a 3 percent exchange commission fee. Nearly half of the amount slated for the debt operation was exchanged by end-November 2024. The authorities also carried out a debt refinancing operation on a previously collateralized external debt of US$221 million owed to an oil trader. The debt, which was scheduled to mature at end- December 2024, was replaced by new borrowing of the same value from two other oil traders. Together, the reprofiling and refinancing operations have eased medium-term liquidity pressures without increasing the country's stock of debt.

The banking sector's prudential indicators have remained adequate, but vulnerabilities persist. Tough in decline relative to end-2023, the aggregate capital adequacy ratio for the banking sector remained well above the regulatory minimum of 10.5 percent. At the same time, asset quality, liquidity, and profitability ratios have improved. 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, remains committed to reinforcing compliance and expediting the restructuring process, and enhancing the monitoring of the two weak banks. Credit to the private sector has remained subdued, increasing by only 3 percent at end-2024.

Program Performance

While overall program performance is deemed mixed, performance relative to quantitative targets was quite strong. All end-June 2024 quantitative performance criterion (QPCs) were met although the continuous QPC on the non-accumulation of external arrears was breached in the second half of 2024 owing to liquidity pressures and continued weaknesses in the reorganized debt management office (*Caisse Congolaise d'Amortissement, CCA*). The continuous QPCs on the zero ceiling on the nominal value of new non- concessional external debt contracted or guaranteed by the central government and the zero ceiling on the nominal value of new external debt contracted by or on behalf of the central government and guaranteed with future natural resource deliveries were also breached as a result of the debt refinancing operation carried out. The authorities are requesting waivers of non-observance of the missed continuous QPCs based on the corrective actions they are undertaking, including the clearance of new arrears accumulated, the tightening of the fiscal stance to complement efforts aimed at containing liquidity pressures through debt reprofiling, and the reinforcement of coordination among authorities on debt issues by the establishment of a technical committee consisting of staff of the CCA, the Ministry of Finance, and the *Société Nationale de Pétrole du Congo* (SNPC) to ensure a timely exchange of information on external debt-related transactions, including those guaranteed with future natural resources. Also, the authorities remain determined to enhance coordination between the Ministry of Finance, the CCA, the Central Bank, and the Treasury to avoid accumulation of new arrears. Moreover, they will request IMF technical assistance to further develop respective capacities at the CCA, the Ministry of Finance, and other public institutions involved in debt management. Two out of five end-June Indicative targets (ITs) were met as well. The missed ITs pertain to the social spending and domestic arrears repayment floors, which fell short of their respective targets by small margins, as well as the ceiling on new concessional external debt contracted or guaranteed by the central government.

Two of the three structural benchmarks (SBs) for the sixth review were implemented with slight delays. Specifically, the SB targeting disbursement, by end-July 2024, of at least CFAF 6 billion to the national social safety nets program — *programme national de filets sociaux (PNFS)*— was missed but 40 percent of the targeted amount was disbursed in time and the remaining 60 percent was disbursed in mid-August. The enactment of hydrocarbon- related VAT tax laws—an end-September SB—occurred in mid-October. Regarding the third benchmark, the end-November SB on the full operationalization of the Expenditure Tracking Software (SIGFIP) was unmet though significant progress has been made**.**

OUTLOOK AND POLICIES FOR 2025 AND BEYOND

Outlook and Risks

The economic outlook is generally favorable. GDP growth is projected to reach 3.7 percent in 2025, from 2.6 in 2024, and average 3.6 percent over the medium term. The projected growth is predicated on sustained strong activity in the non-hydrocarbon sector, underpinned by continuing sound economic policies and a deepening of reforms to support economic diversification. Inflation, which is estimated at 3.9 percent at-end 2024, is projected to decelerate gradually in the context of the expected global disinflation and stabilize at the CEMAC target of 3 percent over the medium term. Fiscal consolidation would continue over the medium-term as discussed below. The current account balance is expected to deteriorate gradually over the medium term and turn into a deficit of about half a percentage point of GDP, from a surplus of 1.3 percent of GDP in 2024. This anticipated deterioration is attributable in part to high imports needs of the non-hydrocarbon sector in a context of declining oil exports. Notwithstanding the current account deficit, Congo’s contribution to the reserves of the regional central bank (BEAC) is projected to gradually increase over the medium term, reflecting improved fiscal balances and lower debt amortization falling due.

The authorities concur that the generally favorable outlook is subject to important downside risks. Downside external risks stemming from oil price decline, intensification of geoeconomic fragmentation and regional conflicts, could adversely affect inward financing flows, weaken economic growth, and deteriorate fiscal and external balances. Domestic downside risks are partly exogenous and include adverse climate conditions that could curb agricultural output, fuel inflation, and exacerbate food insecurity. Failure to advance reforms adds to the downside risks and would result in subdued growth and weakening development partners' support. Our authorities see their renewed commitment to pursue reforms as a mitigating factor to this risk, On the upside, faster reform implementation could attract more official and private financing, foster higher productivity, and spur economic growth. Additionally, production in new oil fields could contribute to accelerating growth by overcompensating the declining yield of mature oil fields. Against the balance of risks, the authorities are determined to pursue their fiscal consolidation and economic diversification efforts to rebuild buffers and strengthen the economy's resilience against shocks.

Fiscal Policy and Reforms

The authorities remain committed to fiscal consolidation to ease liquidity pressures, strengthen buffers, create space for growth-friendly spending, and safeguard debt sustainability. The non-hydrocarbon primary deficit is projected to fall to 3.7 percent of non-hydrocarbon GDP by 2029 from 9 percent and 7.6 percent in 2024 and 2025, respectively. The projected fiscal consolidation will be driven by the implementation of both revenue and spending measures. Envisaged *revenue measures* include ending a broad range of customs duty and tax exemptions, increasing excise tax rates in line with CEMAC guidelines, strengthening tax administration through the digitalization of taxation and invoicing systems, operationalizing the collection of property taxes, broadening the VAT base in the upstream hydrocarbon sector—with World Bank support—and recovering tax arrears. On the *expenditure* front, reform measures include gradual elimination of remaining fuel subsidies together with actions to protect the most vulnerable segments of the population; the containment of the wage bill, including by restricting new public sector hiring only to priority sectors such as health, education and social services; better control off 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.

The authorities' fiscal consolidation efforts will be supported by determined efforts to implement their fiscal structural reforms agenda. Areas of priority include improvements in public financial management (PFM); and the effective establishment of the Treasury Single Account (TSA) for which important prerequisites have been completed. In particular, all listed accounts of the central government and public bodies in commercial banks at end- 2022 have been closed; the migration of account balances of the Treasury into the BEAC's books, as well as the balances of the Treasuries of other CEMAC countries has been undertaken. The full operationalization of the TSA will promote better monitoring of public revenue, enhance transparency in budget execution, and facilitate the efficient use of available resources. Other reforms cover better management of public investment including through a strengthening of procurement procedures, enhancements in the selection, quality, and monitoring of investment projects to bolster the efficiency of government capital spending. Relatedly, the authorities reaffirm their commitment to address bottlenecks to the execution of social spending and advance institutional reforms to improve governance and transparency, and the implementation of anti-corruption measures.

Debt Management

The government has committed to renew its Fund-supported debt management strategy for the period 2023–25 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.

The authorities will continue to strengthen debt management operations, as well as debt monitoring and transparency. To this end, they are committed to ensuring better information sharing among the CCA, the Treasury, and the BEAC to improve debt service operations, improving the recording of debt data and continuing with the quarterly publication of the debt statistics bulletin while enriching its informational content. Further, they will publish annual projections of domestic and external debt, with a breakdown of debtor entities— the central government, SOEs, public institutions, and local authorities.

Structural and Climate-related Reforms

The authorities remain committed to ensuring synergy between their economic policies and reform agenda, guided by the PND 2022–26, and 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.

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 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. They have been aligning the PND 2022–26 with the country's 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. They will continue to 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 to best advance the implementation of their climate strategy. To meet the country's climate objectives amid limited fiscal space, the role of developments partners could not be overemphasized. The authorities continue to be interested in requesting support from the Resilience and Sustainability Facility (RSF) and could do so in due course as they look forward to continuing discussions to set the stage for a potential successor arrangement. An RSF-supported program would help catalyze further climate financing from other development partners and private investors.

CONCLUSION

Our Congolese authorities have maintained macroeconomic stability and satisfactorily implemented the three-year economic and financial program under challenging circumstances, including successive shocks ranging from the Covid pandemic to the impact of the geopolitical fragmentation, imported inflation, regional conflicts, and climate change. They have renewed their commitment to continue deepening reforms to reduce fragility, ensure fiscal and debt sustainability, and foster green and inclusive growth to reduce poverty. Considering their satisfactory program implementation, the measures they have taken to correct the three missed QPCs, and the additional reforms envisioned to further strengthen debt management capacities and coordination—with IMF technical assistance—they are requesting waivers of non-observance of the three QPCs and the completion of the sixth and last review under the 2021–24 ECF arrangement. We would greatly appreciate Executive Directors' favorable consideration of these requests.