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PRESS RELEASE NO. 22/123

IMF Staff Reaches Staff-Level Agreement on the First Review of the Extended Credit Facility Arrangement with the Republic of Congo

April 20, 2022

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

Washington, DC – April 20, 2022: An International Monetary Fund (IMF) team led by Pritha Mitra, Mission Chief for the Republic of Congo, conducted a virtual mission with the Congolese authorities during March 31-April 18, 2022, to discuss the first review of the three-year arrangement for the Republic of Congo under the Extended Credit Facility Arrangement.

At the end of the mission, Ms. Mitra issued the following statement:

"The IMF team reached a staff-level agreement with the authorities of the Republic of Congo on the completion of the first review under the Extended Credit Facility (ECF), which is subject to the approval of the IMF Executive Board.

"Economic recovery is gaining momentum but remains fragile against the backdrop of the COVID-19 pandemic and global consequences of the war in Ukraine. Real GDP growth is expected to strengthen to 4.3 percent in 2022, driven by improved oil production and momentum from agriculture and mining, as well as a continued vaccine rollout and domestic arrears payments with the latter contributing to reduced non-performing loans and financial sector stability. More vigorous economic activity is being held back by rising inflation, projected at 3.5 percent, as global food and oil prices surge owing to the Ukraine war. High oil prices, if sustained, will benefit the economy but large uncertainties loom around oil price projections.

"Debt is assessed as sustainable following substantial debt restructuring and implementation of prudent fiscal policy. Nevertheless, debt vulnerabilities remain large especially amid high oil price volatility. Pending clearance of external arrears, debt is classified as being in "distress". Progress in procurement and management of debt and public finances, including public investment, will be essential to avoiding accumulation of domestic and external arrears and improving spending efficiency and quality. Coupled with implementation of the new anti-corruption architecture, the debt management reforms will also help cement recent gains in governance and transparency.

"Fiscal policy will need to maintain the delicate balance between supporting a robust economic recovery while safeguarding debt sustainability. Revenue mobilization and rationalization of inefficient subsidies to state-owned enterprises will be key to this process—allowing for gradual fiscal consolidation while raising spending on social assistance, health care, education, and infrastructure. This expenditure prioritization will support higher, more inclusive, and resilient growth. To this end, on-going tax administration reforms must be complemented by stepped up collection of tax arrears, significant removal of tax and customs exemptions, and concrete measures to raise oil-related fiscal revenues. Execution of the 2022 budget appropriately targets a deficit of 15.3 percent of non-oil GDP.

"Against this backdrop, after financing debt service, part of oil revenue windfalls should finance tax deferrals initiated during the pandemic and stepped up social assistance to help, respectively, businesses and low- and middle-income households cope with high inflation. Acceleration of measures to facilitate access to credit for small businesses will complement these measures. In 2022, any remaining oil revenue windfalls should be used to build buffers against future shocks. Along the same lines, should high oil prices be sustained over the medium term, windfalls equivalent to around 2 percent of non-oil GDP per year should be channeled towards critical social spending, including infrastructure, and domestic arrears payments while saving the rest.

"Performance under the program has been good. All quantitative performance criteria for end-

February 2022 were met. The structural benchmark for end-March 2022 related to the new public financial management (PFM) medium-term strategy and action plan was met. The other structural benchmark was not met but its most significant elements were implemented on time. Specifically, the new anti-corruption law was passed in Parliament in February and ratified in March. The accompanying decree on conflicts of interest rules and procedures was delayed and is being developed with support from IMF technical assistance.

"Support from development partners will be crucial for the successful implementation of the authorities' economic and structural reform strategy.

"The mission met with the Minister of Finance, Budget and Public Portfolio, Mr. Rigobert Roger Andely, and other senior government officials. The IMF mission also met with representatives of civil society, the private sector, and development partners.

"The IMF team thanks the authorities for their excellent collaboration and constructive discussions."

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