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IMF Staff Reaches Staff-level Agreement on an Extended Credit Facility Arrangement with the Republic of Congo

November 8, 2021

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.

- The IMF team reached a staff-level agreement with the authorities of the Republic of Congo on a three-year program under the Extended Credit Facility (ECF) to help the country maintain macroeconomic stability and support economic recovery in the context of the pandemic.
Fiscal policy will play a central role in strengthening the recovery while managing risks and maintaining debt sustainability.
Advancing reforms in governance, transparency, and anti-corruption will be essential to improving the effectiveness of public spending...

Washington, DC: 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 October 7-15 and November 4, 2021, to discuss a program to be supported by the IMF's Extended Credit Facility (ECF) 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 a three-year program that could be supported by an arrangement under the Extended Credit Facility (ECF) in the amount of SDR 324 million or \$456 million. The economic program would aim to maintain macroeconomic stability and support economic recovery in the context of the pandemic and, in the coming years, foster higher, more resilient, and inclusive growth.

"Having been hard hit by the COVID-19 pandemic and oil price shocks, a nascent recovery is expected to gain traction, with real GDP growth projected to rise from -0.2 percent in 2021 to 2.4 percent in 2022. The recovery is anticipated to be driven by higher oil prices, a rebound in Congo's oil production, a vaccine rollout, social spending, domestic arrears repayments, and expansion of agriculture, mining, and services. However, the outlook is surrounded by significant uncertainty with risks of new waves of the pandemic and volatile oil prices.

"Fiscal policy will play a central role in strengthening the recovery while managing risks and maintaining debt sustainability. Prioritizing social and infrastructure spending—especially in health care, education, and agriculture—will be critical to building economic resilience and enhancing inclusive growth. Revenue mobilization and reduced non-priority spending will support these objectives while allowing for the gradual fiscal consolidation necessary to enhance debt sustainability.

"In this context, targeting a non-oil primary deficit of 15.5 percent of non-oil GDP in the budget for fiscal year 2022 would be appropriate. Improved revenues will facilitate increasing much needed social assistance and capital spending while also reducing the non-oil primary deficit by about 1.7 percent of non-oil GDP relative to 2021. To this end, it will be important to raise tax arrears collection, reduce tax and customs exemptions, and firmly continue previously initiated reforms in tax policy and administration, and the reduction of transfers to state-owned enterprises (SOEs).

"Over the medium term, these fiscal efforts should be supported by a review of the fiscal regime in the oil sector, a more significant removal of VAT exemptions and a streamlining of other tax expenditures, improved procurement practices, and more effective public investment management.

"Projected at 94 percent of GDP at end-2021, debt is sustainable but significant vulnerabilities persist. Key amongst these are liquidity risks and vulnerabilities to negative oil price shocks. While immediate liquidity needs are supported by the G20 Debt Service Suspension Initiative (DSSI), addressing these challenges will require a strengthened debt management strategy and improved debt statistics. These measures will complement on-going substantial external debt repayments—following a restructuring of external commercial loans—and domestic arrears repayments. Pending clearance of external arrears and conclusion of remaining restructuring negotiations, debt is classified as being in "distress".

"The repayment of domestic arrears, which is enabling a reduction of non-performing loans, is strengthening financial stability. In this regard, rapid finalization of the audit of domestic arrears accumulated during 2019-20 and clear communication of any new domestic arrears' repayment plans will be critical.

"Advancing reforms in governance, transparency, and anti-corruption will be essential to improving the effectiveness of public spending, the business environment, and economic confidence. Planned measures include submission to Parliament of the new anti-corruption law, audit and publication of information related to oil production and the subsequent oil revenues actually received by the government, and a strengthening of public financial management—through the audit of expenses related to the pandemic and applying greater control and transparency over public spending and oil and non-oil revenue collection.

"Greater support from development partners will be critical to 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 strong cooperation as well as candid and constructive discussions."

IMF Communications Department

MEDIA RELATIONS
PRESS OFFICER: EVA GRAF
PHONE: +1 202 623-7100 | EMAIL: MEDIA@IMF.ORG
@IMFSpokesperson

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