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Republic of Congo Economic Update

Living in Times of COVID-19

8th edition

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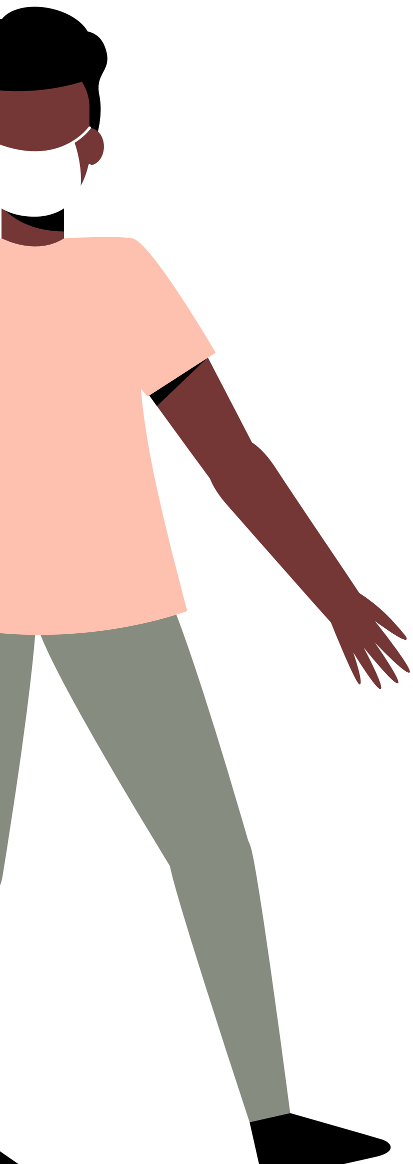

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Acknowledgements

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Abbreviations and Acronyms

ACPCE	Agence Congolaise pour la Création des Entreprises (Congolese Agency for Business Creation)
BEAC	Banque des États de l'Afrique Centrale (Bank of Central African States)
CATI	Computer-Assisted Telephone Interviewing
CDC	Centers for Disease Control and Prevention
CEMAC	Communauté Économique et Monétaire des Etats de l'Afrique Centrale (Central African Economic and Monetary Community)
COVID-19	Coronavirus Disease of 2019
DSA	Debt Sustainability Analysis
DSSI	Debt Service Suspension Initiative
EMDE	Emerging Market and Developing Economy
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
GEP	Global Economic Prospects
HCI	Human Capital Index
HFPS	High Frequency Phone Survey
IDA	International Development Association
IMF	International Monetary Fund
IPC/CH	Integrated Food Security Phase Classification/Cadre Harmonisé
NGO	Nongovernmental Organization
NPL	Non-performing Loan
PFM	Public Financial Management
PMI	Purchasing Managers' Index
PPG	Public and Publicly Guaranteed
PPP	Purchasing Power Parity
RSU	Registre Social Unique (social registry)
SDR	Special Drawing Rights
SIVL	Système informatique de vérification de la légalité et de la traçabilité des bois (Information technology system for verifying the legality and traceability of timber)
SMEs	Small and Medium Enterprises
SOEs	State-owned Enterprises
SSA	Sub-Saharan Africa
UNHCR	United Nations High Commissioner for Refugees
WHO	World Health Organization
XAF	Central African Franc

Executive Summary

Recent economic developments

The COVID-19 pandemic has taken a relatively modest toll on human lives in the Republic of Congo according to official data but has exacerbated an already fragile Congolese economy. As of September 28, 2021, the Republic of Congo has had 14,244 confirmed cases and 193 deaths, corresponding to a mortality rate of 3.4 per 100,000 population against the global rate of about 60.5. The relative low number of COVID-19 tests performed thus far in the country and findings from seroprevalence studies suggest that the true number of infections may be far higher than the number of confirmed cases. The Congolese economy is estimated to have contracted by 7.9 percent in 2020 compared to a pre-pandemic forecast of a positive growth rate of 4.6 percent, the sixth consecutive year of recession. The Congolese Government took early measures to prevent the spread of the coronavirus. Mobility across the country was restricted to essential goods and services.

The fiscal authorities and the regional Central Bank took some mitigating actions in a context of limited fiscal space with support from the international community. The Bank of Central African States (Banque des États de l'Afrique Centrale, BEAC) announced accommodative measures to ease financing conditions for the public and private sectors and to increase liquidity in all Central African Economic and Monetary Community (CEMAC) economies. With a high level of debt (at 81.9 percent of GDP at end-2019) combined with the collapse of oil prices, Congo's fiscal space was limited. The Government of Congo adopted some measures to ease tax and duty payments for private enterprises and also set up a fund to support COVID-19 related expenditures up to US$170 million (XAF 100 billion), equivalent to 1.7 percent of 2020 GDP.

The COVID-19 pandemic presented a supply and a demand shock. The oil sector contracted by 7.7 percent as a result of lower global demand, the decision by OPEC members to cut production, and the disruption of oil fields from COVID-19 containment measures. The pandemic exacerbated the previous five-year depression of the non-oil sector, which contracted by a further 8.3 percent in 2020. Aggregate demand was weakened by lower consumption due to income loss, lower oil exports, delayed investments in the oil sector, weaker investment driven by reduced foreign direct investment (FDI), and structural liquidity constraints faced by the non-oil sector.

Congo's fiscal and external positions have deteriorated. Driven by a decrease in exports and a collapse in commodity prices, Congo is estimated to have recorded a current account deficit of 1.0 percent of GDP in 2020. The COVID-19 crisis led the government to revise its budget twice to take into account the impact of the crisis on revenues and expenditures. Congo has registered an overall budget deficit in 2020 estimated at 1.3 percent of GDP, in contrast to a surplus of 3.4 percent in the previous year.

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The crisis has worsened the country's indebtedness, maintaining Congo in debt distress. The decline in oil prices in recent years and high levels of non-concessional borrowing led Congo into debt distress, which the pandemic has exacerbated. The sharp decline in GDP and oil revenues led to an increase in the debt-to-GDP ratio to 102.6 percent in 2020 from a previous level of 81.9 percent. External debt constitutes 64.5 percent of GDP compared to 57 percent at end-2019. Congo's participation in the G20 Debt Service Suspension Initiative (DSSI) resulted in the suspension in debt service payments of US$146 million between May and December 2020 and of US$116 million between January and June 2021. Domestic debt remains high at 38.1 percent of GDP despite securing financing from a pool of Congolese banks ("Club de Brazzaville") to cover the repayment of XAF 332 billion (US$614.2 million) of domestic arrears. Although the country remains in debt distress because of outstanding domestic and external arrears, recent debt restructuring agreements, higher oil prices, and improved debt management are moving the country back to debt sustainability.

COVID-19 has exacerbated poverty rates and living conditions. Real GDP per capita fell by 10.3 percent in 2020, raising poverty rates by four percentage points in just one year from 48.5 percent to 52.5 percent, plunging an additional 290,000 people into extreme poverty. Headline inflation was moderate in 2020. However, the increase in food prices observed in the first half of the year and in transport prices since April disproportionately affects low income families. Despite improvement in 2020, the pro-poor execution rate of social spending remains low due to competing priorities and revenue mobilization issues.

Living in times of COVID-19: evidence from surveys of households and firms

According to the COVID-19 High Frequency Phone Survey (HFPS), the pandemic caused significant disruptions in employment, widespread reduction in income, and increased food insecurity and hunger. Almost 40 percent of household heads who had been working pre-crisis had stopped working in April 2020, with 90 percent out of work due to COVID-19 related issues. About 82 percent of households experienced a decrease in income from labor or other income generating activities in August compared to the pre-COVID period. Households with non-farm businesses were most likely to be affected, with almost 8 out of 10 participating households suffering reductions in income from this source. The combination of lower incomes and limited access to markets has resulted in the prevalence of severe food insecurity, estimated at 25 percent, and a combined prevalence of moderate and severe food insecurity as high as 83 percent in December 2020.

Decline in the inflow and frequency of remittances and other forms of support added to the deteriorating economic state of households. The share of recipients of remittances fell from 39 percent prior to the crisis to 21 percent in October. Other sources of non-labor income, notably public transfers, which represent an important source of income for poor households in crisis settings, also registered a decline. During the lockdown, less than 5 percent of households benefited from assistance from the government. With the introduction of the Emergency Cash Transfers project, 11 percent of households received financial assistance in November 2020.

Children experienced significant learning losses during the closure. Half of the households with school age children were not engaged in any learning activities during April to October when schools were closed. Those who were engaged did so mostly through television programs, homework (completed alone or under the supervision of a teacher), or home schooling with a household member or a teacher. Online learning programs and education applications were accessible to less than 4 percent of households. Only 12 percent of households reported being in contact with their children's school teachers. Of these, despite the lockdown, nearly four-fifths had face-to-face contact with a teacher at the household's home.

Estimates based on HFPS show that the employment and income shocks experienced by households due to COVID-19 are associated with gender, type of occupation of household head, and place of residence. Female-headed households were 17 percent less likely to have employment during COVID-19. Workers in the private sector, those self-employed, and household employees were more exposed to employment shocks while households living in Brazzaville were 7 percent more likely to experience income loss compared to other cities. Even though employment in agriculture did not see a decline in the pandemic as compared to the mining and manufacturing sector, the likelihood of income loss in agriculture was 37 percent higher than mining and manufacturing.

A drop in domestic demand is the major channel of transmission of the COVID-19 shock to firms. Most firms experienced a decrease in sales revenue from August to December, and compared to the pre-crisis period, 69 percent of firms across the country reported lower turnover. Businesses located in Pointe Noire, the economic hub of the country, experienced a lower loss in sales revenue compared to those elsewhere. Large firms performed better than smaller ones during the lockdown with 37 percent registering either no change or an increase of their sales revenue compared to the same period in 2019. Nine out of 10 micro-firms reported a loss in sales revenue during the lockdown. Firms operating in accommodation and restaurants, commerce, education and health were hit hardest due to the ban on gatherings, the closure of schools, and other lockdown-associated measures.

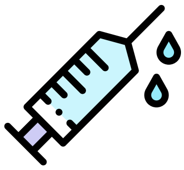
About a third of formal businesses stopped operating during the second quarter of 2020, and others made the requisite adjustments to cope with the crisis. Compared to the first quarter of 2020 when only 5 percent of firms were not operating, an additional 23 percent closed temporarily or permanently in the second quarter. Medium and micro-size enterprises seem to have been less resistant to the COVID-19 shock. Firms have responded to the pandemic shock by laying off workers, reducing working hours and cutting wages. A third of firms have reduced their workforce, and about three-fifths reduced salaries and cut employee wages in half on average. The pandemic also affected other decisions on spending, with 40 percent of firms reporting canceling investment in equipment.

Short-term outlook and the path to recovery

Congo's GDP growth is expected to rebound gradually only in the medium-term. The global economy is projected to bounce back with 5.6 percent growth in 2021, but the recovery will be highly uneven due to steady but unequal access to COVID-19 vaccines. The Sub-Saharan African (SSA) economy is expected to rebound moderately at 3.3 percent. Meanwhile, the Congolese economy is projected to contract by 1.2 percent, driven primarily by a contraction of the hydrocarbon sector by 1.8 percent. Despite the rally of oil prices, oil production continued to decline in the first half of 2021, partially due to postponed investments, technical challenges, and maturing oil fields. The non-oil sector remains fragile amid a slower pace of COVID-19 vaccine rollout and is likely to contract by 0.5 percent. The economy is projected to pick up gradually over 2022-2023, with GDP growth averaging 3.1 percent due to a more dynamic oil sector and a gradual recovery of the non-oil sector. The poverty rate is expected to rise, consistent with GDP per capita growth. The new allocation of Special Drawing Rights (SDR) from the International Monetary Fund (IMF) equivalent to US$221 million will provide policy space that could be used to enhance the recovery. However, the return of GDP per capita to pre-COVID levels by 2028 would require the economy to grow at least by an annual average of 5 percent starting in 2024. Inflation is forecast to remain below the 3 percent regional ceiling. Pushed by higher oil prices, oil exports are expected to fuel a positive current account balance in 2021. Consistent with the revised 2021 budget law, fiscal consolidation is expected to resume in 2021. Meanwhile public debt is projected to fall sharply, driven by high external debt amortization payments tied to oil prices, and higher nominal GDP. This outlook is subject to downside and upside risks. The former include such factors as highly volatile oil prices, uncertainties related to the pandemic and oil production, and low vaccination rates. Upside risks may come in the form of rapid production and successful distribution of COVID-19 vaccines globally and locally, leading to higher than expected oil price increases and growth rates.

A sustained economic recovery is conditional on: (a) strengthening the health care system, (b) reducing the hunger and food insecurity of the vulnerable population, (c) restoring fiscal and debt sustainability, (d) laying the foundation for broad-based growth, and (e) improving development of data for policymaking. A stronger health system in coordination with development partners will ensure availability and equitable distribution of COVID-19 vaccines, a lynchpin for Congo's economic recovery. Food insecurity and malnutrition could be reduced, among other measures, by scaling up the Lisungi social protection program. Then, the sustainability of recovery will depend critically on restoring fiscal and debt sustainability through improved domestic revenue mobilization and debt management and transparency. For broad-based growth over the medium-term, economic diversification and support to the private sector will be required. Last, better monitoring of poverty and vulnerability through improved data collection will strengthen the foundation for meaningful policy-making, efficient resource allocation, and effective public service delivery.

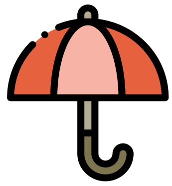
Table 1: A summary of policy priorities for the next 12 months



1

Strengthen the health care system for an adequate distribution of COVID-19 vaccines

- Put in place an effective coordination mechanism to ensure availability and equitable distribution of COVID-19 vaccines with support of development partners
- Deploy an effective communication strategy including involving community leaders and health care workers to increase the population's trust in the vaccines
- Obtain the necessary equipment to ensure the proper storage of vaccines and to secure the safety of health care workers



2

Protect the most vulnerable households from hunger and food insecurity

- Scale up the national social safety nets program by expanding the coverage of the Lisungi program and e-payment of transfers to reinforce the resilience of the most vulnerable

3

Restore and maintain fiscal and debt sustainability

Fiscal consolidation

- Enhance expenditure efficiency by rebalancing expenditures toward efficient public investment
- Strengthen domestic revenue mobilization by rationalizing tax expenditures, improving collection of tax arrears, and completing the technical requirements for the optimal use of a new information technology system to leverage taxes from forestry companies

Debt management and transparency

- Finalize pending debt restructuring agreements and clear external arrears to help restore and maintain debt sustainability and reduce the likelihood of debt distress
- Centralize and include SOE debt information in published debt reports
- Develop a medium-term debt strategy and consistent annual borrowing plans

4

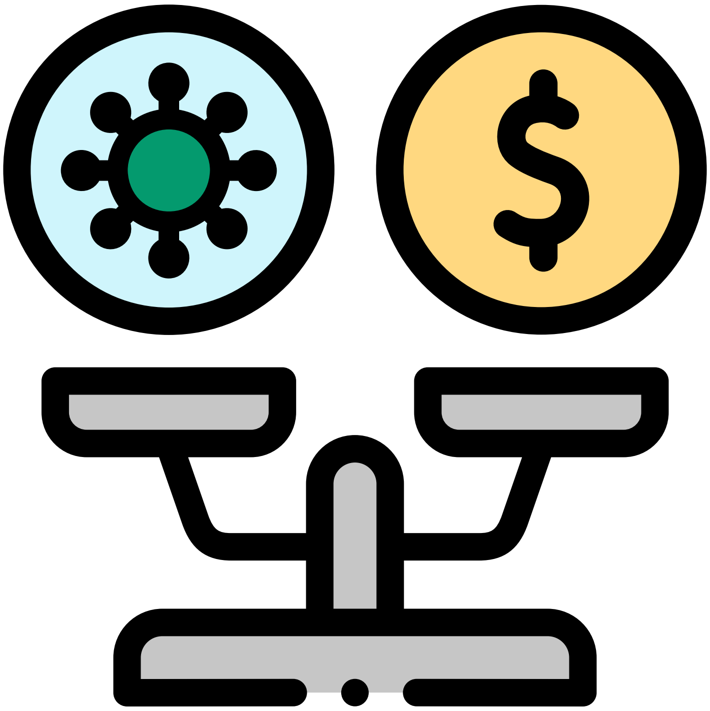
Promote broad-based growth by fostering economic diversification

- Pursue the clearance of domestic arrears to provide liquidity to the private sector
- Complete the ongoing advanced efforts to regulate leasing and factoring services to increase access to finance for SMEs
- Complete the ongoing digitalization of company registration to make it easier to start a business

5

Improve development of data for policymaking

- Implement a new national household survey for an in-depth analysis of poverty and vulnerability and maintain quarterly HFPS to monitor risks and economic recovery
- Mobilize resources to complete the second phase of the population census to enable better targeting for social programs and to launch an enterprise survey that will enable design of policies supporting private sector development
- Modernize vital statistics including the digitalization of registries to improve identification



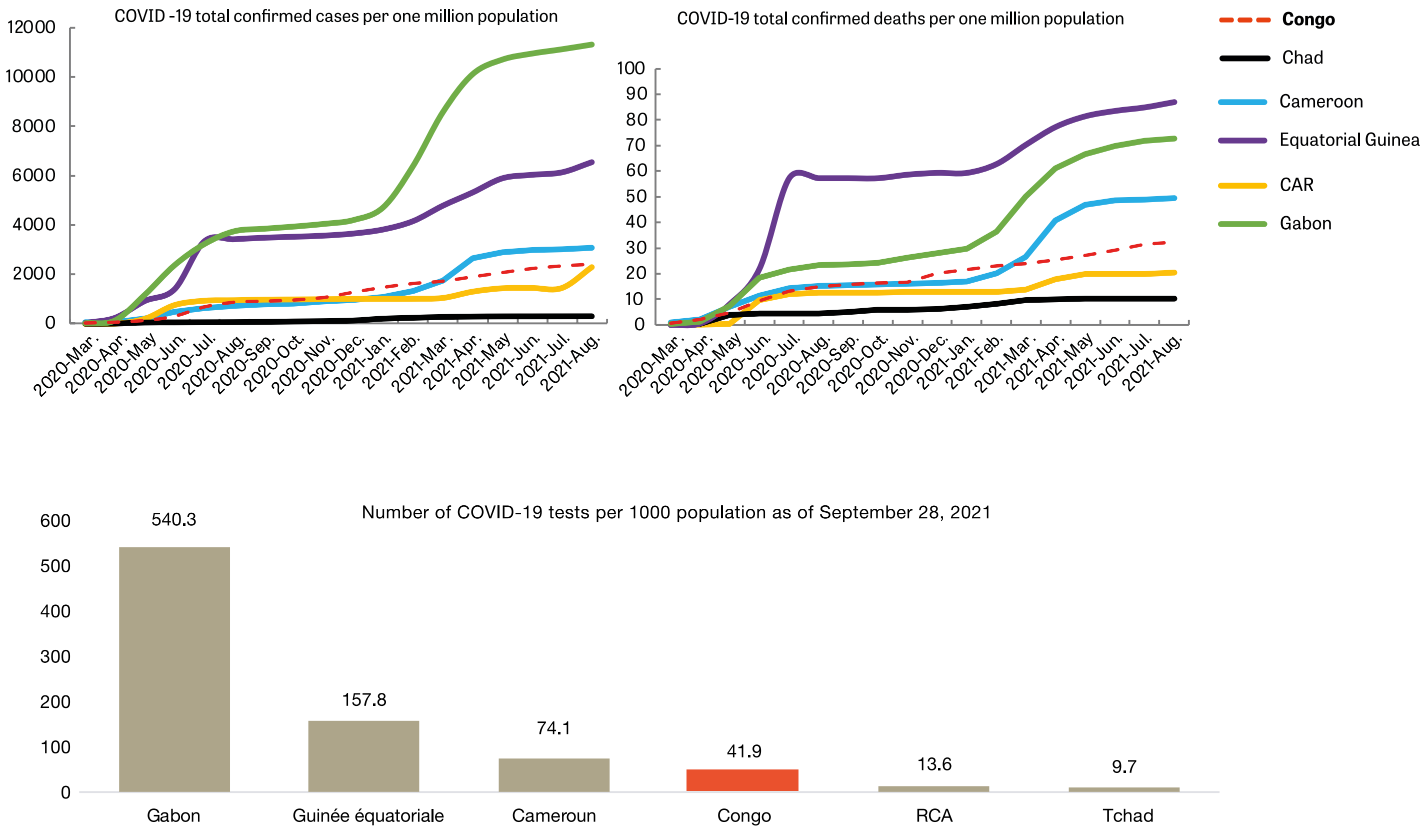
1

Recent Economic Developments

1.1 The COVID-19 pandemic, while not yet a health crisis in the Republic of Congo according to official data, has exacted a massive toll on economic activities

The COVID-19 pandemic has taken a relatively modest toll on human lives in the Republic of Congo to date according to official data. The pandemic situation in the Republic of Congo has so far been less severe than in other countries in the Central African Economic and Monetary Community (CEMAC) region or globally. The first case of COVID-19 in the Republic of Congo was registered on March 14, 2020. The country adopted rapid measures including lockdowns to contain the spread of the virus. The peak of the first wave of the pandemic was reached in July 2020. The second wave of COVID-19 infections in Republic of Congo started in November 2020, and according to the Africa Centers for Disease Control and Prevention (Africa CDC), the country is now under a third wave. As of September 28, 2021, Republic of Congo had recorded a cumulative 14,244 confirmed cases and 193 deaths, corresponding to mortality of 3.4 per 100,000 population (compared to about 60.5 globally). Both case numbers and deaths are less worrisome in Congo than in Equatorial Guinea, Gabon and Cameroon (Figure 1), and the direct health impact on the region remains low to date.

Figure 1: The direct impact of COVID-19 in CEMAC remains low, with modest numbers of cases and deaths according to official data



Source: John Hopkins, Our World in Data, Africa CDC

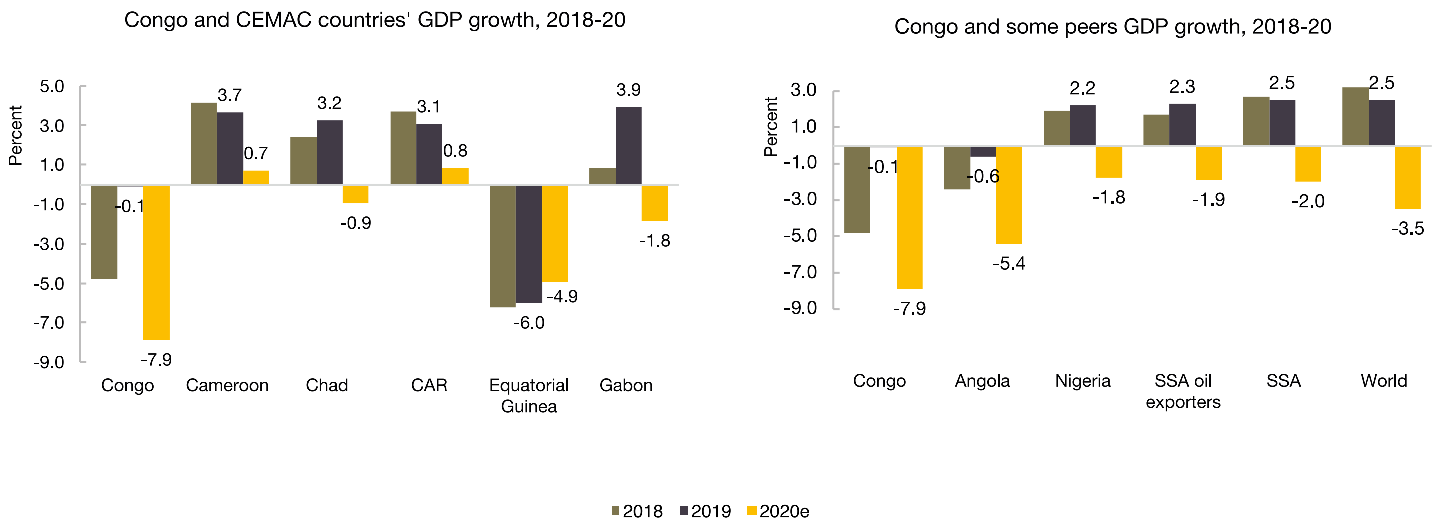
Republic of Congo's low rate of COVID-19 testing and findings from seroprevalence studies suggest that the true number of infections may be far higher than the number of confirmed cases. As of September 28, 2021, Republic of Congo had performed a cumulative 231,146 COVID-19 tests, corresponding to only 42 tests per 1000 population (the third lowest in the region) compared to 540 and 158 for Gabon and Equatorial Guinea respectively (Figure 1) (which may at least partly explain why these two countries have higher incidence rates of COVID-19). Several seroprevalence studies across the continent find that the true number of infections may be far higher than the number of confirmed cases.[1] For Republic of Congo, a study conducted between April and July 2020 (during the first wave) in Brazzaville found that of 754 healthy volunteers, 7.4 percent tested positive for COVID-19 and another 16.7 percent had COVID-19 antibodies, suggesting they had already contracted the virus. The study also found that the seroprevalence rate was increasing over time between April and July.[2]

The Republic of Congo went into a nationwide lockdown from April to May 2020, with easing and tightening of restrictions as the pandemic has evolved globally. At the beginning of the pandemic, the Congolese Government took early measures to prevent the spread of COVID-19, including declaring a state of emergency and a closure of national borders and all schools. The government gradually lifted strict measures from mid-April 2020, but the state of health emergency initially planned for twenty days from March 31, 2020 was extended multiple times to most of 2020 and is still in place. Land and river borders remain closed, and the two main cities, Brazzaville and Pointe-Noire, have been isolated from the rest of the country and have nighttime curfews. The government opened air borders to international flights in August, and schools finally re-opened across the country in October 2020 after more than seven months of closure. The lockdown along with such measures as the imposition of curfews, reduction in the frequency of opening markets, closure of land and river borders, reduction in work hours, and limitations on the number of passengers in public transport, has imposed severe costs on the economy.

The pandemic plunged the global economy and countries around the world into a deep recession in 2020. COVID-19 pushed the global economy into its worst recession since World War II (World Bank Global Economic Prospects (GEP), June 2021),[3] as the necessary protection measures, including shutdown and border closures, have led to a disruption of global trade of goods and services, financial transactions, and domestic economic activities. Despite substantial policy support, global GDP in 2020 is estimated to have contracted by 3.5 percent. Economic activity in the Sub-Saharan Africa region contracted by 2.0 percent in 2020 (Africa's Pulse, October 2021), one of the deepest on record. This has led to the largest fraction of economies worldwide experiencing declines in per capita output since 1870.

The pandemic has exacerbated an already fragile Congolese economy in recession for several years. The Congolese economy is now estimated to have contracted sharply by 7.9 percent in 2020 compared to a pre-pandemic forecast of a positive growth rate of 4.6 percent. The global slowdown and associated oil price shocks as well as local closures have worsened Congo's growth performance in 2020, in an economy already contracting since 2015[4], leaving its performance worse than all the other countries in CEMAC and than some other oil-exporting countries such as Nigeria and Angola (Figure 2). The economy remains undiversified and highly vulnerable to shocks, especially to volatile oil prices as the country is overwhelmingly reliant on the hydrocarbon sector.

Figure 2: Congo's GDP growth was particularly hard hit in 2020



Source: World Bank staff estimates, national authorities, GEP June 2021 edition.
Note: SSA oil exporters include Angola, Cameroon, Chad, the Republic of Congo, Equatorial Guinea, Gabon, Ghana, Nigeria, and South Sudan.

1.2 *The fiscal authorities and the regional Central Bank took some mitigating actions in a context of limited fiscal space with support from the international community*

In response to the COVID-19 crisis and oil price shocks, the Bank of Central African States (Banque des États de l'Afrique Centrale, BEAC), announced a package of accommodative measures to support all CEMAC economies. On March 27, 2020, the Monetary Policy Committee announced several measures to ease financing conditions for private firms, extended liquidity to commercial banks and increased the liquidity of non-financial private and public institutions. BEAC reduced the monetary policy rate by 25 basis points from 3.50 percent to 3.25 percent; reduced the marginal lending facility rate by 100 basis point from 6.0 percent to 5.0 percent; increased liquidity injections from XAF 240 billion (US$409 million) to 500 billion (US$853 million); expanded the range of private instruments allowed to be used as collateral for refinancing; and reduced the discount rate on public and private instruments admitted as collateral for refinancing operations at BEAC. BEAC also eased conditions to issue treasury bills and proposed to reschedule by one year the repayment of the principal of the Central Bank's loans to the States. On July 22, 2020, a new program of government securities purchases was announced by BEAC for the next six months, extended on March 1, 2021 by another six months. In addition, on March 25, 2020, banks were informed by the Central African Banking Commission (COBAC) that capital conservation buffers of 2.5 percent can be used to absorb pandemic-related losses.

These measures may have provided more liquidity into the economy, mitigating to some extent the impact of the crisis. Credit to the private sector has picked up since September 2020. This resumption in credit growth may have been driven partially by lowered interest rates that resulted from the Central Bank's policy measures.[5] CEMAC 7-day weighted interbank rates were down by 75 bps on average between June and August 2020 for the collateralized rate and by 50 bps between mid-July and August for the non-collateralized rate.[6] This decrease in interbank rates likely spurred a reduction in banks' lending rates.[7] Further, of the program of indirect purchase of government securities of XAF 100 million per country announced by BEAC in July 2020, more than half has been used for the Republic of Congo since January 2021, thus providing more financing to the government.

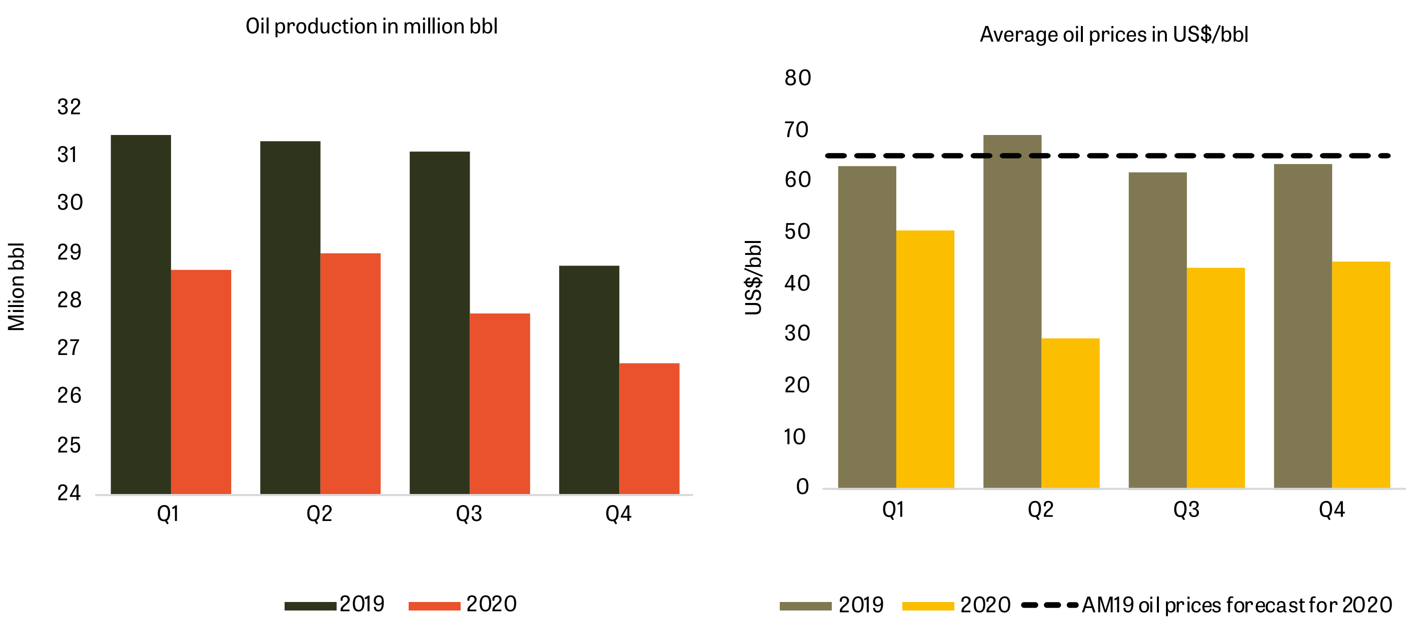
On the fiscal front, the government adopted some measures to ease tax and duty payments for private enterprises. With a high level of debt at 81.9 percent of GDP at end-2019 combined with the collapse of oil prices, Congo's fiscal space was limited. In April 2020, the government set up a resource fund for COVID-19 related expenditures up to US$170 million (XAF 100 billion), equivalent to 1.7 percent of 2020 GDP, with expected contributions from the private sector and bilateral and multilateral agencies.[8] Measures to ease tax and duty payments for private enterprises were also adopted by the government. For instance, companies were given more time to pay their taxes, and tax assessments on site were suspended. Corporate income tax rates were reduced from 30 percent to 28 percent and the turnover tax rate for small businesses with turnover below XAF 100 million was cut from 7 percent to 5 percent in 2020 and 2021. Electronic payment of dues is now strongly encouraged by the import duty directorate, which is also allowing more electronic documents to be accepted at Congo's port.

The country has benefited from various supports from the international community. Funding for Congo's pandemic response totaled about XAF 75 billion (US$138.8 million) by mid-November. This sum includes World Bank emergency funding support of about US$62.6 million to provide income support to affected households and increase access to safety nets for the poor and vulnerable. Support for the poorest segments of the population is being coordinated by the European Union, the World Food Program, and France with total financing of XAF 3 billion (US$5.55 million), while other UN agencies have provided about XAF 7 billion (US$12.95 million). In early February 2021, the Chinese government provided XAF 35 billion (US$64.8 million) in support, and in March, it donated 141,220 doses of the Sinopharm COVID-19 vaccine. The G20 Debt Service Suspension Initiative (DSSI) also provided additional fiscal space by suspending debt service payments (see Section 1.4).

1.3 The COVID-19 pandemic represented both a supply and a demand shock

The oil sector contracted by 7.7 percent, contributing 3.9 percentage points to the overall 7.9 percent contraction of GDP in 2020. Oil production was down in each of the four quarters of 2020 compared to 2019 (Figure 3, left panel), reaching an estimated 112 million barrels by end-December 2020 compared to 123 million barrels in the previous year.[9] The decline in oil production was a result of a combination of lower global demand and associated prices (Figure 3, right panel), the decision by OPEC members to cut production, and the disruption of oil fields from COVID-19 containment measures. In addition, technical difficulties in some oil fields in Congo contributed to production cuts in 2020.

Figure 3: The pandemic led to a sharp decline in oil production and oil prices in 2020



Source: Ministry of Hydrocarbons of the Republic of Congo.
Note: AM 19 stands for Annual Meetings 2019.

The pandemic worsened an already dire situation in the non-oil sector, which had been in recession for five consecutive years. Non-oil GDP contracted by 8.3 percent in 2020, contributing 3.5 percentage points to the overall GDP contraction of 7.9 percent. However, before COVID-19 the non-oil sector was already in recession, with real non-oil GDP contracting by 3.3 percent in 2019 after plummeting 20.3 percent in 2018. Lower government revenues due to the 2014-17 oil price shock had accelerated the accumulation of government arrears to the private sector, including banks. These arrears forced many companies to reduce their operations and staff, undermined business confidence, and drove up levels of non-performing loans (NPLs). Banks reacted by squeezing credit to the non-oil sector, further weakening its performance. In 2020, the government took concrete actions to start clearing domestic arrears, but the stock of arrears to the private sector continued to weigh on the non-oil sector.

The impact was severe in all sub-sectors of the non-oil economy. The agriculture sector contracted by 6 percent, primarily driven by a forestry subsector weakened by the drop in external demand for logs and sawn timber. While domestic construction started to slowly recover thanks to the resumption of certain public works, Congo's non-oil industry sector as a whole (which represents about a fifth of overall industry) continued its downward trend, declining by 7.7 percent in 2020, reflecting declines in activities in flour mills, cement plants and refinery and in the production of conditioned drinking water and electricity. The lockdown, border closures and social distancing worsened the services sector, which contracted by 8.7 percent, its sixth yearly contraction in a row. In particular, these measures severely affected the transport sector (air travel, traffic of goods between Brazzaville and Pointe Noire, and river traffic with the Democratic Republic of Congo and the Central African Republic), wholesale and retail trade, and hotels and restaurants.

Aggregate demand was hampered by both domestic and external factors. Private consumption declined by 4.2 percent, reducing overall growth by 1.6 percentage points, driven by the disruption in economic activities and lower remittances due to the global recession. Investment declined by 15.4 percent, reducing overall growth by 4.1 percentage points, driven by falling foreign direct investment (FDI), postponement of investment (especially in the oil sector), liquidity constraints faced by the

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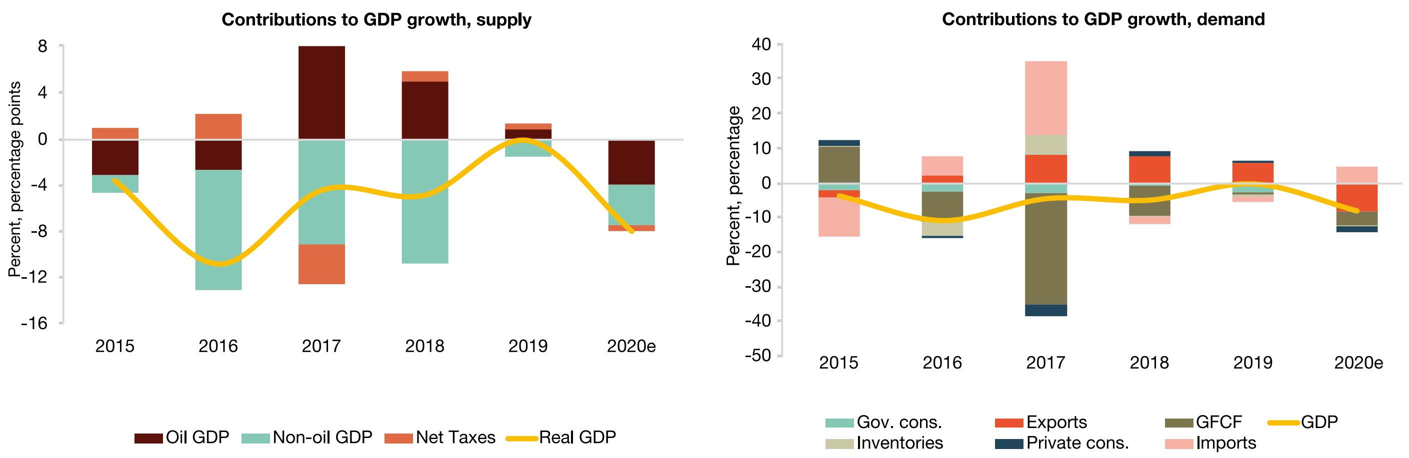
non-oil sector (especially weak credit growth due to large non-performing loans (NPLs) and to weaker bank balance sheets associated with government domestic debt and arrears owed to the banking sector and other private actors). While the disruption of global trade led to a reduction in real imports of about 10.4 percent (a 5.0 percentage point contribution to growth), the decline in global demand for goods (especially oil) as well as global demand for services (e.g., tourism and transport) led to a contraction of real exports of 9.2 percent, contributing to 8.0 percentage point reduction in growth. As a result, the net exports of goods and services reduced overall growth by 3.0 percentage points (Figure 4, right panel).

Figure 4: The shock affected both supply and demand



Source: Staff calculations based on data from national authorities.

1.4 With the impact of the crisis, the fiscal and external positions also deteriorated

Driven by a decrease in exports and a collapse in commodity prices, Congo is estimated to have recorded a current account deficit of 1.0 percent of GDP in 2020. The deterioration in the current account is primarily linked to lower prices and quantities of oil exports. Combined with the large structural deficit of net export of services, the trade deficit worsened to 1.6 percent of GDP. The structural deficit of net income and transfers driven by interest payments on foreign debt (private and public) and lower remittance inflows in 2020 contributed to the current account deficit. The pandemic also led to limited net FDI inflows in 2020, especially for the oil sector. The current account deficit was primarily financed by loans from the International Development Association (IDA), and savings from the DSSI.

The overall budget deficit in 2020 is estimated at 1.3 percent of GDP, in contrast to a surplus of 3.4 percent in the previous year. The fiscal situation deteriorated in 2020 primarily because of the fall in oil revenue due to the decrease in external demand and prices. Revenues for 2020 were estimated at about 5 percentage points of GDP lower than for 2019, while expenditures remained steady as a share of GDP (Table 2). Government revenues continued to be dominated by oil proceeds, which accounted for 50 percent of total revenues in 2020 (down from 64 percent in 2019). Although there was a need to increase spending above initial projections to cope with the crisis, reduced revenues in the first half of the year constrained expenditures. Given Congo's challenges in borrowing on international financial markets, it has become increasingly reliant on the regional financial market to cover its financing needs. By end-2020, the Congolese government had issued bonds totaling XAF 583.5 billion (US$1,065 million), a 57 percent rise compared to 2019.[10]

Table 2: Key fiscal indicators, percent of GDP

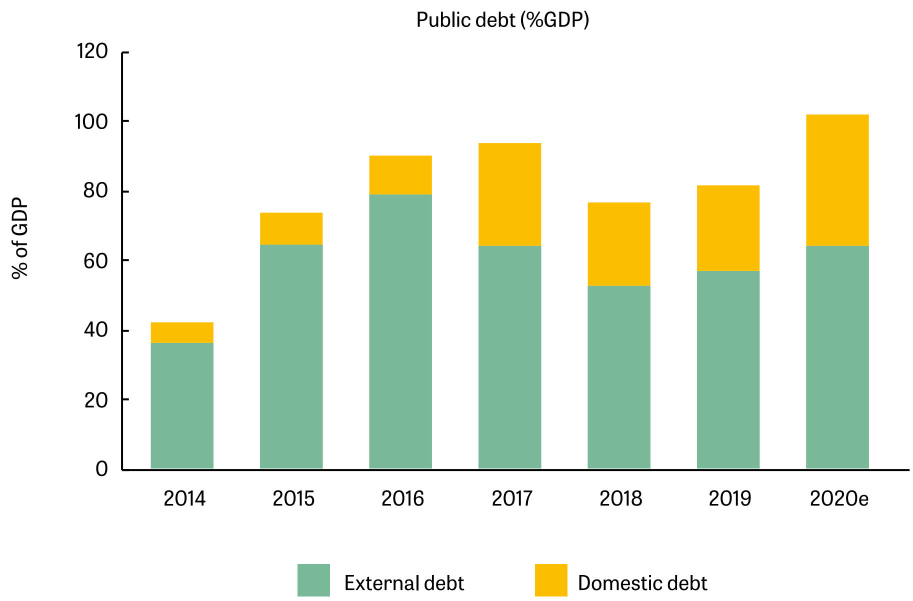
	2015	2016	2017	2018	2019	2020[e]
Total Revenues (%GDP)	21.4	21.3	17.7	25.5	27.3	22.1
Oil Revenues	7.9	6.9	5.8	17.0	17.6	11.1
Tax Revenues	12.7	13.3	11.3	7.6	8.1	9.6
Taxes on Goods and Services	5.6	5.4	4.6	3.1	2.2	2.6
Direct Taxes	5.1	5.9	5.0	3.3	4.5	5.3
Taxes on International Trade	2.1	2.1	1.7	1.3	1.4	1.7
Non-Tax Revenues	0.8	1.1	0.7	1.0	1.6	1.5
Grants	0.6	0.7	0.5	0.1	0.8	0.5
Expenditures (%GDP)	30.1	27.3	23.3	20.2	23.8	23.4
Current expenditures	12.8	16.3	15.6	17.0	18.8	18.8
Wages and Compensation	5.1	6.3	6.1	4.8	4.7	5.9
Goods and Services	3.5	4.1	3.4	2.3	2.4	3.2
Interest Payments	0.4	0.6	1.5	2.2	4.5	1.8
Current Transfers	3.8	5.4	4.7	7.7	7.2	7.9
Capital Expenditures	14.6	9.5	6.4	1.9	3.7	3.4
Other Expenditures	2.7	1.5	1.4	1.3	1.4	1.2
Overall Balance (%GDP)	-8.8	-6.0	-5.6	5.4	3.4	-1.3
Primary Balance	-8.4	-5.4	-4.1	7.6	8.0	0.5

Source: World Bank Staff and Ministry of Finance.
Note: e = Estimate.

1.5 COVID-19 impact has worsened the debt situation, maintaining Congo in debt distress despite government action on domestic debt

The pandemic has exacerbated Congo's debt distress. After a doubling of total debt as a share of GDP in just two years, fiscal consolidation measures in 2017 and a 2019 debt restructuring agreement with China had reduced the debt burden to 81.9 percent of GDP by end-2019. Declines in both GDP and oil revenue in 2020 pushed the debt-to-GDP ratio above 100 percent. Of this total, external debt constitutes 64.5 percent of GDP, up from 57 percent at end-2019 (Figure 5). Bilateral debt accounts for one-quarter of total debt (mostly owed to China); commercial debt is almost one-third of the total (with much owed to oil traders); and multilateral obligations comprise under 10 percent of total debt (of which less than one-third is owed to the World Bank). The December 2020 Debt Sustainability Analysis (DSA) update maintained the Republic of Congo's classification as 'in debt distress,' the same categorization determined by the 2019 Article IV DSA.

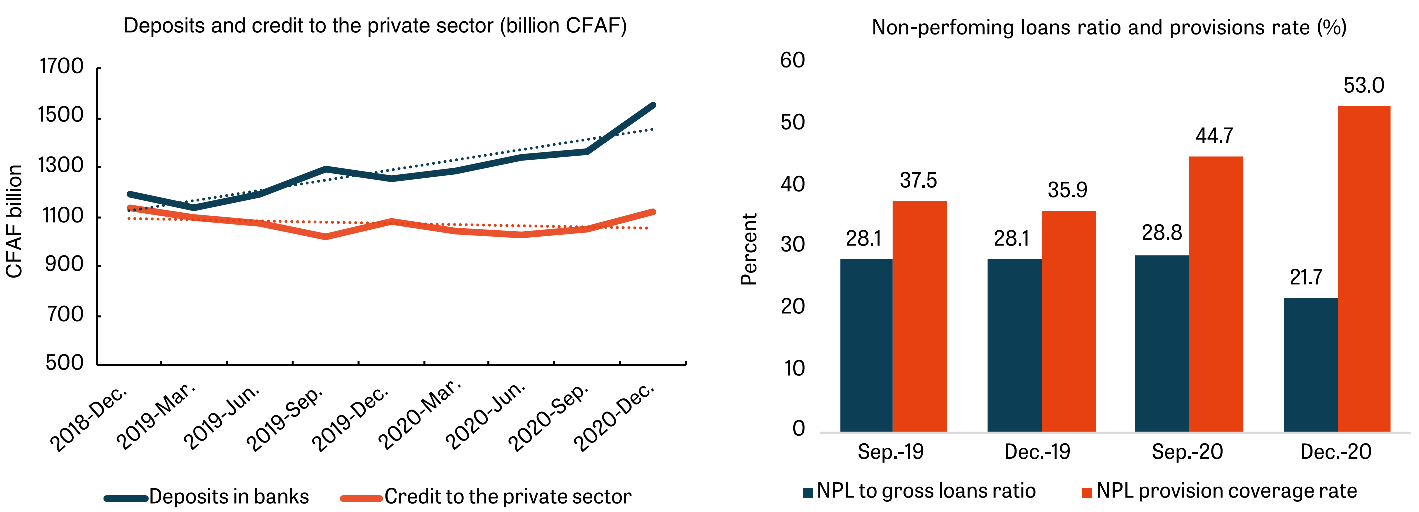
Figure 5: The pandemic impact has worsened public debt situation



Source: World Bank, Congolese Authorities.

Actions on domestic debt have included a deal with Congolese banks to reduce government arrears and resulted in higher provisioning against NPLs. The government committed to its external partners, including the International Monetary Fund (IMF) and the World Bank, to clearing its domestic debt including arrears to provide liquidity to the economy, especially the private sector. The acquisition of a part of the State's domestic debt for XAF 332 billion (US$614.2 million) in September 2020 by a pool of Congolese banks called the "Club of Brazzaville" helped the government to clear partially its domestic arrears and provided liquidity to companies, households, and banks. As a result, deposits in commercial banks continued to build up through 2020, at a rate that accelerated during the last quarter, growing by 23.9 percent at end-2020. Credit to the private sector maintained its upward trend since September 2020, growing at 3.9 percent at end-2020, compared to a decline of 4.7 percent at end-2019 (Figure 6, left panel). The build-up in deposits was strengthened by precautionary savings owing to uncertainty related to the COVID-19 pandemic. However, the banking sector's vulnerabilities to NPLs remain high despite the partial clearance of government arrears. Although the NPL to gross loan ratio declined from 28.1 percent at end-2019 to 21.7 percent at end-2020, this level remains high by international standards. According to the Central Bank, the situation remains especially worrying for claims on companies in construction, commerce, transport and industry. The banking system has, therefore, increased provisions to cover future losses by raising the NPL provision coverage rate from 35.9 percent in December 2019 to 53 percent a year later (Figure 6, right panel).

Figure 6: Credit to the private sector had picked up at end-2020 but vulnerabilities remain high



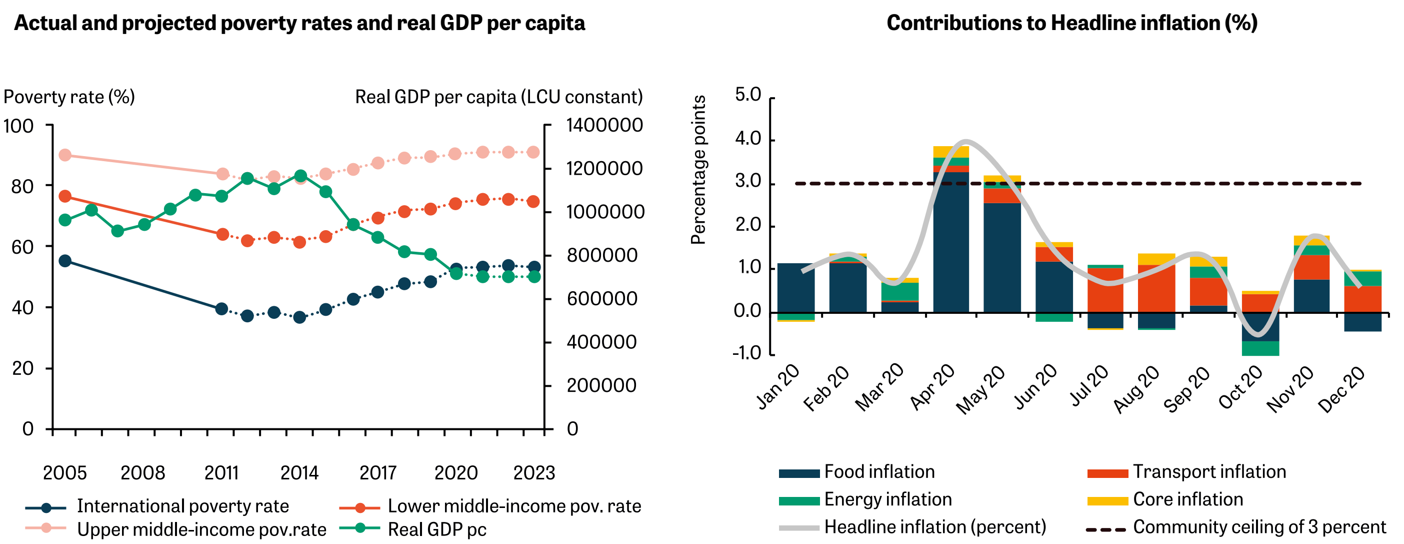
Source: BEAC.

The Republic of Congo has benefitted from the G20 DSSI, but the finalization of pending restructuring agreements and the clearance of external arrears remain critical to reduce the likelihood of debt distress. A suspension of US$146 million in debt service from the G20 DSSI (US$130 million in arrears payments and US$16 million for outstanding debt service), about 1.4 percent of GDP, represented 79 percent of Congo's eligible debt service due between May and December 2020. The remaining 21 percent of debt service was not covered because of creditor disagreements. Almost all the creditors that participated in 2020 agreed to extend the suspension to at least June 2021, resulting in an additional debt service payment suspension of US$116 million between January and June 2021. The initiative has been extended to end-2021. While recent debt restructuring agreements, higher oil prices, and improved debt management, including restricting new external financing to concessional terms, are moving the country back to debt sustainability, the Republic of Congo is still running arrears with some external and domestic creditors (September 2021 WB-IMF DSA for the 2021 Article IV report). While the DSSI provides temporary relief, the finalization of pending restructuring agreements and the clearance of external arrears remain critical to restore and maintain debt sustainability and reduce the likelihood of debt distress.

1.6 The COVID-19 crisis has exacerbated existing socio-economic challenges of households

The COVID-19 pandemic has struck a particularly severe blow to the poor. Congo had substantially reduced poverty during 2005-2015 because of strong economic growth, pushing down the national poverty rate by almost 15 percentage points from 50.7 percent in 2005 to 36.3 percent in 2014-2015.[11] Weaker growth in recent years was already swelling the number of poor people. Moreover, a large part of the population is clustered just above the national poverty line, vulnerable to falling into poverty due to a shock such as the pandemic. With real GDP per capita falling by 10.3 percent in 2020, poverty rates rose by four percentage points, from 48.5 percent to 52.5 percent (using the international poverty line of US$1.90 PPP a day) (Figure 7: left panel), plunging an additional 290,000 people into extreme poverty.

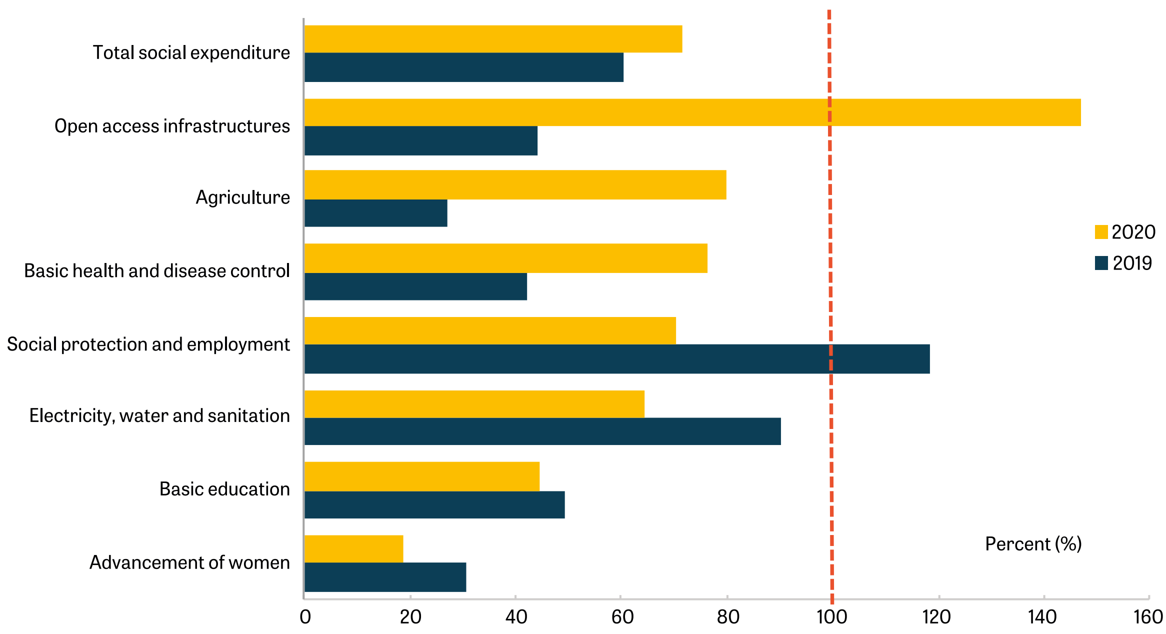
Figure 7: COVID-19 has raised poverty rates and exerted pressure on food and transport prices



Source: World Bank, National Institute of Statistics.

Pro-poor social spending increased in 2020 as a response to the pandemic, but its execution rate remains below that for total spending. The authorities committed to increasing social spending both as a part of a government strategy and in line with the DSSI agreement. As a result, social spending in 2020 increased by 46 percent, driven primarily by expenditure on basic health and disease control. At end- 2020, the social spending execution rate stood at 71.4 percent, with the basic health and disease execution rate at 76 percent (Figure 8). Although better than 60.5 percent recorded in 2019, the overall social spending execution rate falls well below the 90 percent average rate for total spending. The components with the highest execution rates were open access infrastructure (147 percent) and agriculture (80 percent). Both of these sectors benefitted from higher than expected external financing. The Government's capacity to forecast accurately fiscal revenues or external financing seems limited, with revenues collected representing on average 86 percent of budgeted revenues. The lower social spending execution rate is likely driven by this lower level of collected revenues.

Figure 8: The execution rate of social spending is still low



Source: Ministry of Finance.

An increase in food prices in the first half of 2020 and in transport prices since April 2020 disproportionately affects low income families. Headline inflation averaged 1.4 percent in 2020, compared to an average of 0.4 percent in 2019, driven by food prices (1.6 percent) and by transport prices (4.3 percent).[12] Although inflationary pressures were contained below the 3 percent regional ceiling, food prices saw a sharp increase in the first half of 2020 due to disruptions in supply chains, especially during the stricter lockdown imposed between April and May 2020. Meanwhile, transport prices have seen a substantial increase since April 2020 (Figure 7: right panel), disproportionately affecting low income households as they usually allocate a higher proportion of their income to these basic consumption items. While some lockdown measures were relaxed at the end of May 2020, measures to limit the movement of people and ensure social distancing by reducing the number of people in buses, minibuses and cabs have remained in place, explaining the increase in the cost of transport services.

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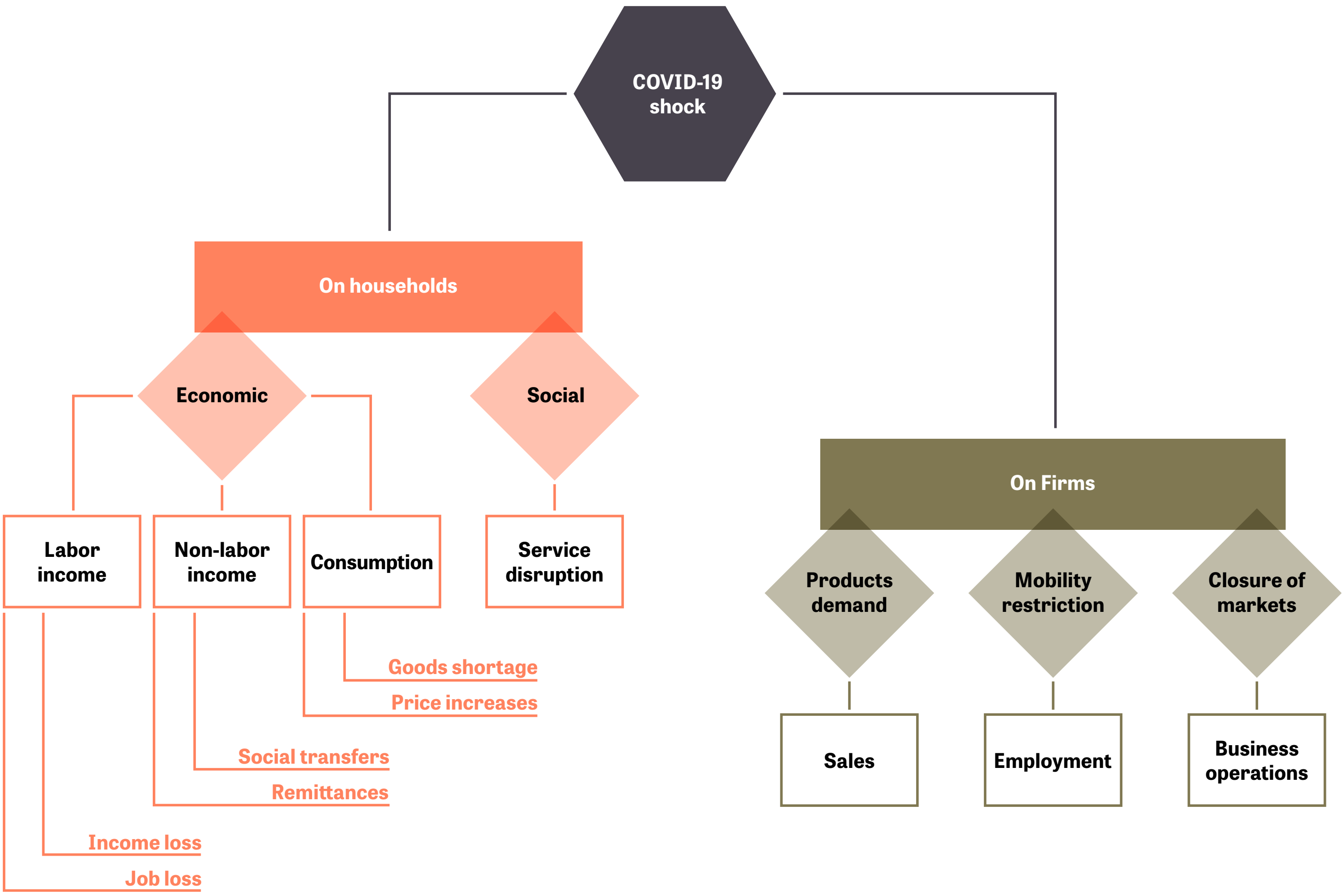
2

Living in Times of COVID-19: Evidence from Surveys of Households and Firms

2.1 *Channels of COVID-19 shock transmission help clarify impacts*

Despite a low level of confirmed COVID-19 cases in Congo, the economic damage suffered by households and enterprises may have long-lasting effects for the poor and vulnerable, effects which can be understood by the transmission channels that deliver the shock to households and firms. Groups with limited access to resources to protect them from the adverse impacts of external shocks will suffer most during the crisis period and have trouble recovering afterwards. In the case of COVID-19, the related shocks may lead to adverse economic and social effects through various transmission channels. Figure 9 illustrates how the adverse effects on households derive from economic impacts (via income and price shocks on consumption) and social impacts (related to service delivery disruptions in health, education, and social protection). The pandemic has also affected businesses through a drop in local demand, the closure of marketplaces, and mobility restrictions.

Figure 9: The pandemic affected households and firms through multiple transmission channels



Source: Modified from World Bank 2021.

2.2 Impact of COVID-19 on households and coping mechanisms

Household surveys during September 2020 through February 2021 show that damage from COVID restrictions continues into 2021. The surveys (see Box 1) show that, as of January 2021, more than half of households were still affected by lockdowns and restrictions. Nearly 70 percent of households reported being affected in August, falling during September to November, and then jumping to 74 percent in December due to another round of restrictive measures. The surveys also provide extensive data on the details of damages and coping mechanisms.

Box 1: High Frequency Phone Survey (HFPS) of households reveals how Congolese are coping

To explore transmission channels of COVID-19 shocks on households, data was analyzed from five rounds of the coronavirus high-frequency phone survey for households. Jointly implemented by the National Institute of Statistics (INS) and the World Bank, the survey aimed to monitor the economic and social impacts of the pandemic at the household and firm level. The survey drew a subsample of 1,500 households from the nationally representative 2015 households survey on the impact of Information and Communication Technologies (ICT) on households' living condition. It started on September 1, after the lifting of initial lockdown. The survey questionnaire covers a range of topics, including knowledge and behavior associated with COVID-19, employment, family business, income, access to food and basic services, and food security.

Overview of HFPS Rounds 1 to 5

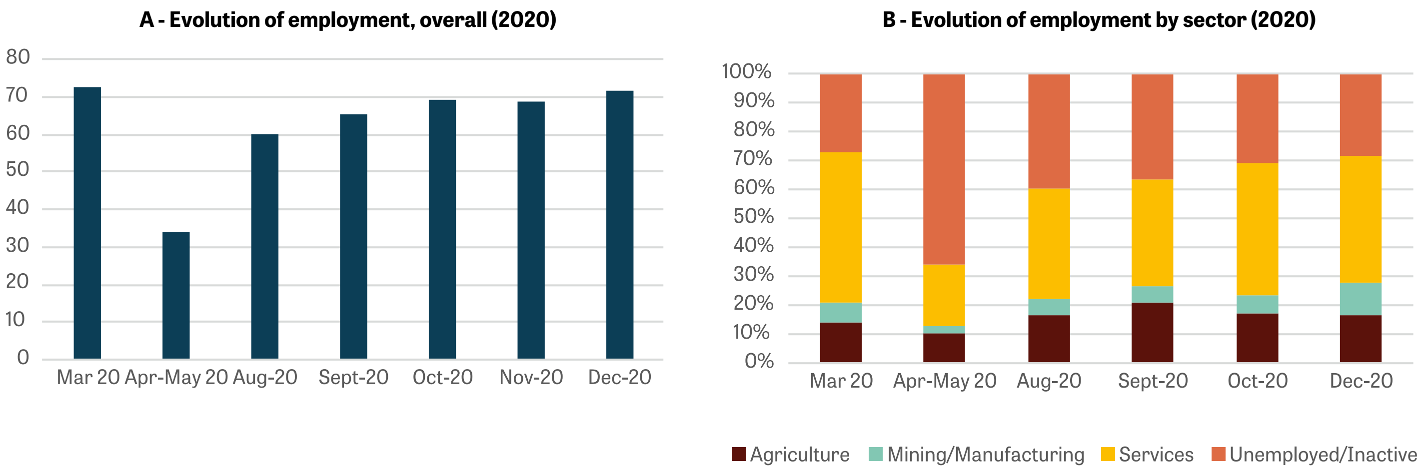
	Round 1	**Round 2**	**Round 3**	**Round 4**	**Round 5**
Data collection period	September 02 to 17, 2020	October 13 to 30, 2020	November 18 to December 6, 2020	December 19, 2020 to January 8, 2021	January 14 to February 5, 2021
Implementation method	Computer-assisted telephone interviewing (CATI)				
Number of respondents	1397 households	1429 households	1466 households	1415 households	1371 households
Response rate	93%	95.3%	97.7%	94.3%	91.4%

2.2.1 The pandemic increased poverty and food insecurity through a decline in labor and non labor income

A widespread reduction in labor income has been driven by temporary unemployment and closure of non-farm businesses

According to the HFPS data, the pandemic caused significant but temporary disruptions in employment. Almost 40 percent of household heads who had been working pre-crisis had stopped working in April 2020, almost all due to mandated business closures, quarantine or other mobility restrictions.[13] Female-headed households were less likely to have experienced job loss than male heads and had a 17 percent lower chance of losing employment. By August, more than the half of household heads who had been out of work in April had returned to the workplace. However, one in four other household members (other than the head) were out of work because of the pandemic in August. Three-fifths of those who stopped working were in the service sector: commerce in particular but also transport, education, health and other services. Job losses in the industry sector (manufacturing, construction and mining) touched 65 percent. Workers employed in the agriculture sector were less affected. As mobility restrictions eased, disruptions to employment in the industry and service sectors declined. Overall employment continued to rise, almost reaching its pre-crisis level by December (see Figure 10).

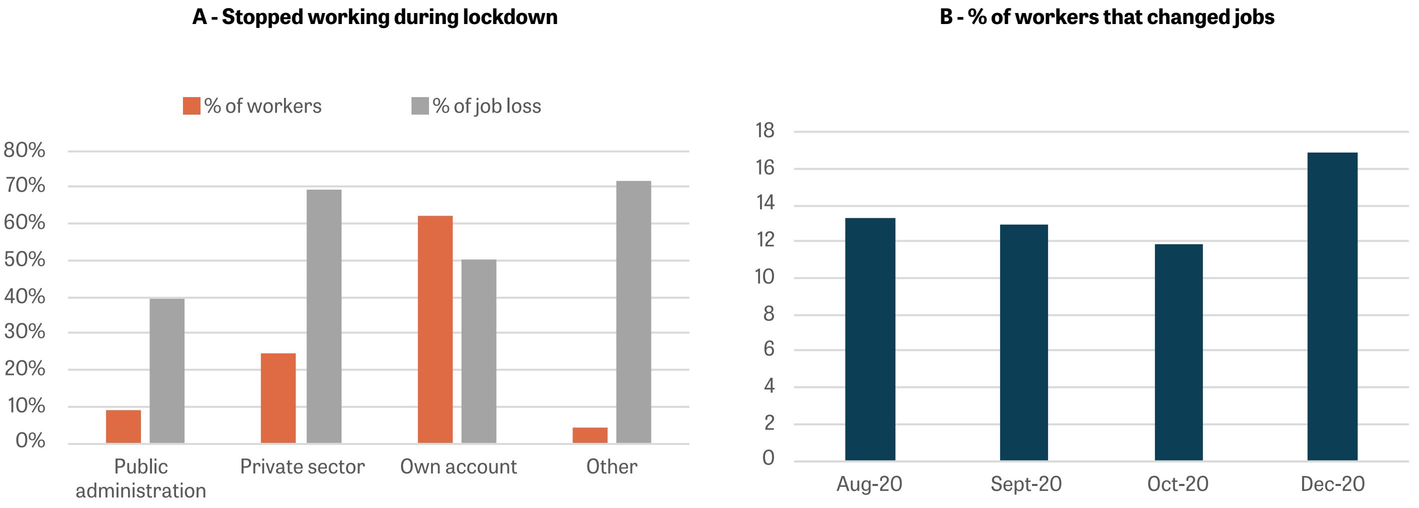
Figure 10: Employment was disrupted in the early months of the pandemic



Source: World Bank staff calculation based on HFPS Rounds 1 to 5, INS 2020.

Workers in the private sector and those employed in households were the most affected by the pandemic. The private sector accounted for a quarter of employment before COVID-19 hit.[14] During April-May, 70 percent of those previously employed in this sector were not able to work. Similarly, 72 percent of the workers employed by households (in the 'other' category) could not work during the pandemic. Half of the self-employed (own account) workers also stopped work during the lockdown. Employment was least affected for those working in public administration and companies. To ensure business continuity, the government implemented a batch rotation mechanism that allowed key staff in public administration to continue working, some as usual and others part time (see Figure 11).

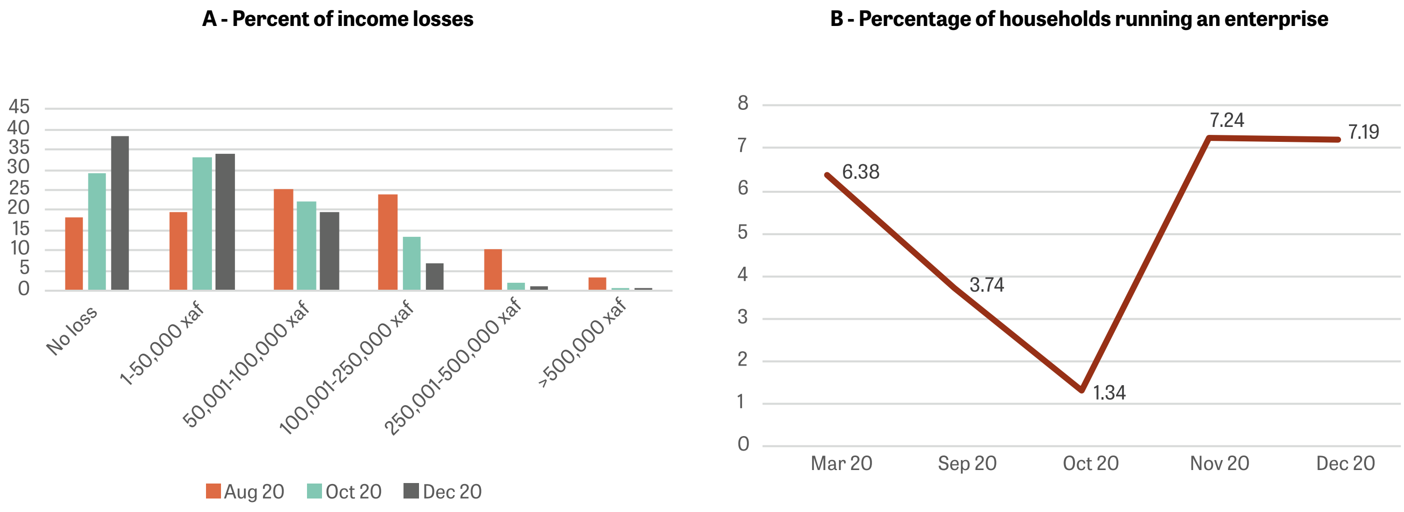
Figure 11: Workers in the private sector and 'other' (employed by households) were the most affected by job losses



Source: World Bank staff calculation based on HiFy Survey Rounds 1 to 5, INS 2020.

The pandemic has led to a widespread reduction in household income. Of households, 82 percent experienced a decrease in income from labor or income generating activities in August compared to pre-COVID. By December, 60 percent of households were still reporting income losses. About one-third of households lost less than XAF 50,000 (equivalent to US$92[15]) per month (see Figure 12).

Figure 12: Most households suffered from loss of income



Source: World Bank staff calculation based on HFPS Rounds 1 to 5, INS 2020.

Households with non-farm businesses were most likely to be affected, with almost eight out of 10 suffering reductions in income. According to the HFPS, by October almost 80 percent of households operating non-farm businesses pre-pandemic had temporarily or permanently closed, but most reopened by December. Among businesses that were still operating in October, 70 percent experienced a loss in income. The situation began improving in November, with businesses reopening and fewer households with income loss.

Exposure to income loss,[16] unlike employment loss, is associated with place of residence, economic sector, and occupation. Households living in Brazzaville had 7 percent higher likelihood of experiencing income loss compared to those from other areas. However, workers living in Brazzaville and working in the service sector were less affected. Likewise, households working in the mining and manufacturing sector seem to have a 37 percent lower chance of income loss compared to those in agriculture. In fact, households with agricultural activities as a secondary source of income are less likely to be exposed to an income shock. Households with non-farming business have a 20 percent higher probability of income loss due to the pandemic. In addition, workers from the private sector and the self-employed suffer a greater negative impact compared to civil servants.

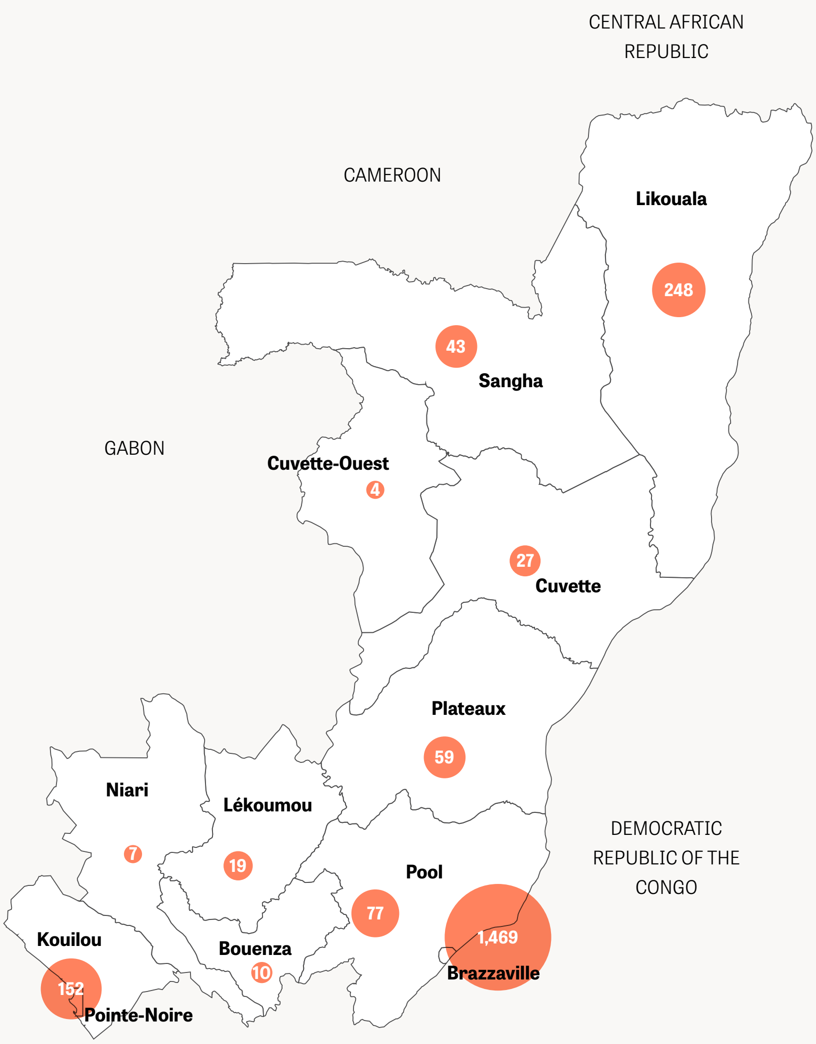
Refugees, a particularly vulnerable group, also faced significant loss in income since the onset of the health crisis. While no quantitative data were collected in Republic of Congo, studies in other countries have documented that refugees were hit hard by the COVID-19 pandemic, particularly those living in urban settings. According to an April 2020 ILO report , the rise in relative poverty for those working in the informal sector, as do most urban refugees, was estimated at 83 percent for Africa. In Republic of Congo, impacts of COVID-19 on refugees are likely to have followed a similar pattern. Despite facing significant economic pressures linked to the pandemic, the Government included assistance to refugees in its response to the COVID-19 crisis (see Box 2).

Box 2: The Lisungi Project integrates refugees into COVID-19 crisis response

There is an exemplary inclusion of refugees in the government's assistance in response to the COVID-19 crisis through the Lisungi Project. In June 2020, Republic of Congo mobilized US$50 million from the World Bank to provide emergency income support to households, including one-off XAF 50,000 (US$82) unconditional cash transfers to 231,546 households in urban areas using mostly digital payments. With additional funding from the Congolese Government, the coverage of the emergency cash transfers is expected to reach more than 330,000 households, 130,000 more households than originally planned 200,000.

A mixture of vulnerability criteria and community-based selection were used to identify the most in need, irrespective of nationality or legal status. As a result, a total of 2,115 refugee households were deemed eligible for support, with 69 percent, 12 percent and 7 percent residing in the Departments of Brazzaville, Likouala and Pointe-Noire, respectively, and the rest dispersed across the country. Among these beneficiaries, 55 percent are female-headed refugee households. Overall, the Lisungi COVID-19 response benefits cover roughly 20 percent of refugee families in a protracted situation.

No. of refugee headed households selected for Lisungi emergency cash transfer, per department

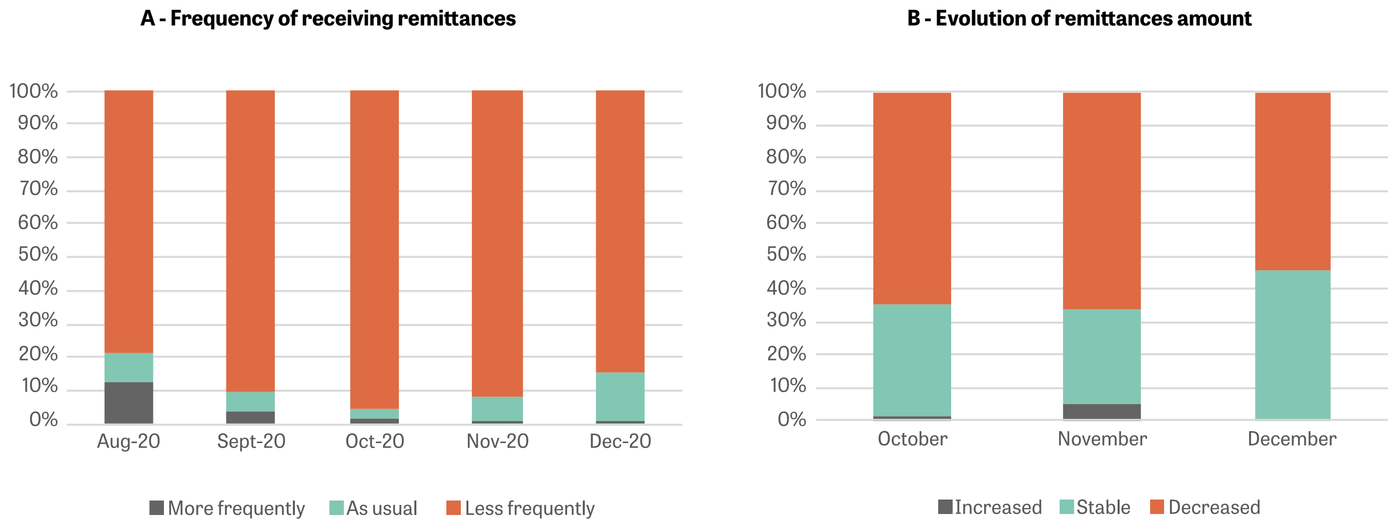


Source: Lisungi project; Production: UNHCR.

Non-labor income has also contracted, with remittance flows down and social assistance insufficient

Remittance flows, a critical income source for recipient households, have been falling during the pandemic. The disruption from COVID-19 has affected the employment status of migrant workers and, thus, the inflow of remittances. At the beginning of the crisis, 40 percent of households were receiving remittances. Since October, the share has fallen to one in four households. In addition, most households reported receiving remittances less frequently and in smaller amounts compared to the pre-COVID-19 period (see Figure 13).

Figure 13: The pandemic has also disrupted remittances



Source: World Bank staff calculation based HFPS Rounds 1 to 5, INS 2020.

Social assistance has been sparse, leaving poor households dependent on family and friends to cope with the crisis. During April to August, less than 5 percent of households benefited from assistance from the government. With the preparation of the Lisungi Emergency cash transfers project, almost 11 percent of households received financial assistance in November.[17] In addition, some households have benefited from occasional support from nongovernmental organizations (NGOs), private firms and other benefactors, consisting mostly of food and other non-financial support.

Table 3: Percentage of households that reported receiving social assistance

	April-August	September	October	November	December
Government	4.28	2.4	5.31	10.62	8.67
NGOs	3.74	1.43	1.83	2.24	3.01
Private firms	1.07	0.19	0.17	0.5	1.21
Benefactor	13.89	2.78	1.07	2.75	1.37
Family/friends	39.18	33.94	21.3	25.01	25.23

Source: World Bank staff calculation based on HFPS Rounds 1 to 5, INS 2020.

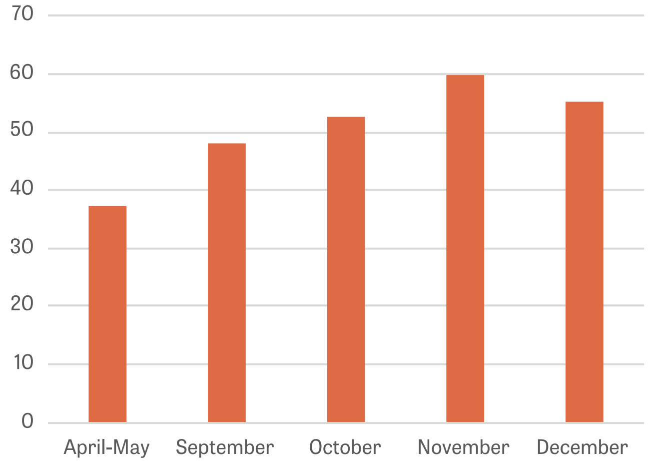
The pandemic has affected household capacity to afford regular monthly expenditures. Since October, half of the households are struggling to pay rent. Nearly 7 out of 10 households could not afford access to water and electricity. As a coping mechanism, households often use their savings to meet basic needs and 90 percent of households reported that their savings were affected by the pandemic.

Income and price shocks to consumption have harmed households

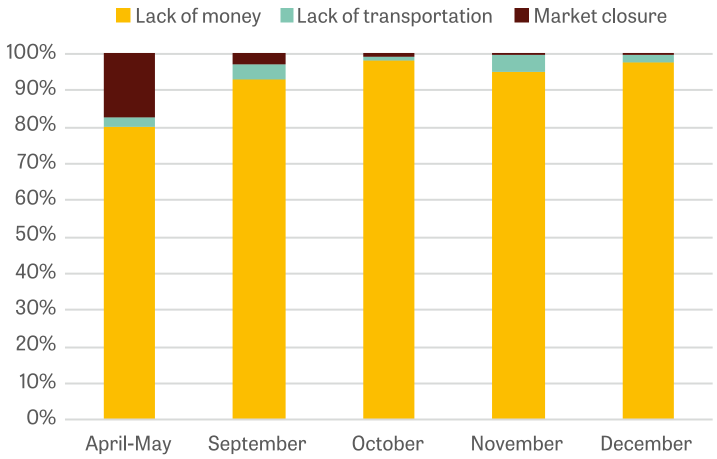
The pandemic poses a serious threat to food security and nutrition, exacerbating an already fragile food security environment, due to widespread loss of income. Since April, the number of households that could not access markets has been growing, almost entirely due to lack of money (see Figure 14).

Figure 14: The pandemic has limited access to food markets

A - Have not been able to access market



B - Reasons for not accessing



Source: World Bank staff calculations based on HFPS Rounds 1 to 5, INS 2020.

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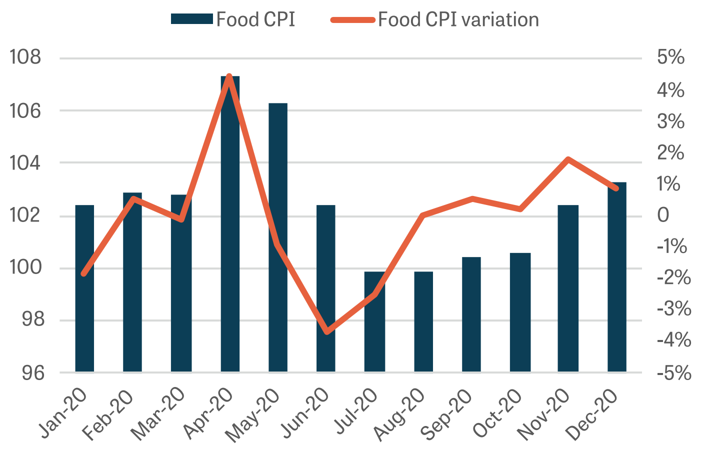
The disruption in supply chains during the stricter lockdown led to a spike in food prices. Although a reduced number of households reported experiencing food shortages in their local market and points of sale during April and May 2020, the disruption in supply chains due to the strict lockdown during that period had a sizeable impact on prices. As expected, food prices spiked across the country resulting in a rise of the Consumer Price Index (CPI) by almost 5 percent compared to the pre-pandemic period. Households have been experiencing consistent increase in prices of key staple foods. In November and December, almost a quarter of households reported an increase in the price of chicken at their local market places. Casava flour, smoked fish, beef and casava leaves are other staple foods that have seen large increases in prices (see Figure 15).

Figure 15: Food prices spiked across the country

A - Food inflation



B - % of households reporting increase in staple food prices relative to pre-pandemic levels

Staple Food	**October**	**November**	**December**
Casava flour	9.85	14.52	15.8
Rice	4.18	6.17	7.63
Mackerel	1.19	2.93	3.8
Smoked fish	15.63	22	25.88
Chicken thighs	19.05	26	29.35
Chicken	2.9	1.9	2.85
Beef	11.3	23.99	22.97
Beans	1.11	1.22	1.68
Vegetables	2.59	2.56	5.97
Casava leaves	6.29	9.44	11.54
Vegetable oil	1.89	4.37	5.56
Palm oil	0.52	1.21	0.66
Milk	0.36	0.48	0.26

Source: World Bank staff calculation based HFPS, Rounds 1 to 5, INS 2020.

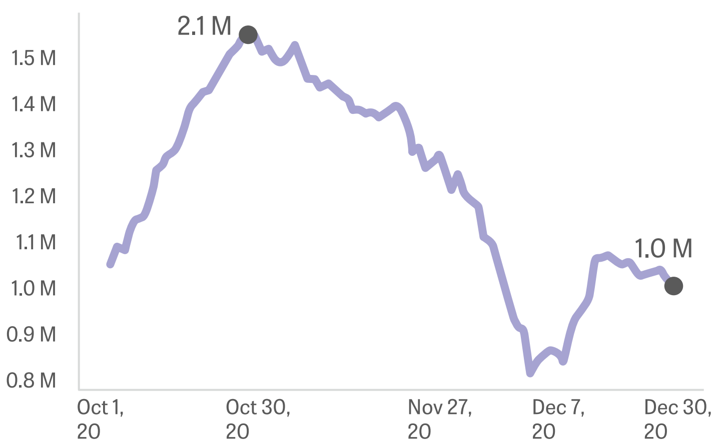
> *Lower household incomes pushed up hunger and food insecurity*

The combination of lower income and higher prices has resulted in an increase in food insecurity and hunger. Congo's progress on hunger during 2004 to 2019, when the prevalence of undernourishment in the total population decreased from 34 percent to 28 percent,[18] has been reversed during 2020. In October 2020, the number of people with insufficient food consumption reached 2.1 million before dropping to one million by end-December. Further, as many as a third of households have managed only one meal a day during the pandemic, and there has been a rise in the share of households consuming two meals a day from September to December (see Figure 16).

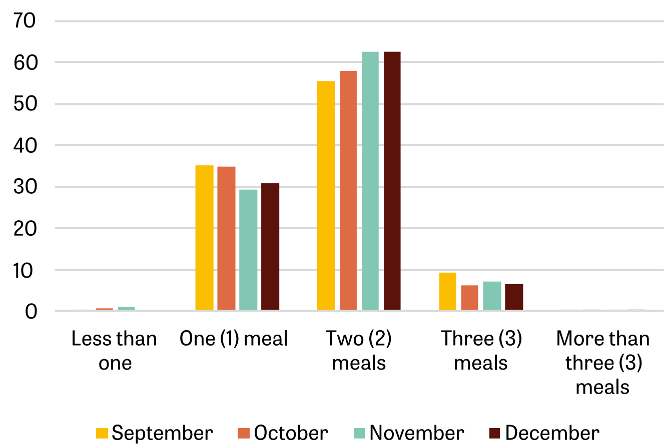
About a quarter of households suffered from severe food insecurity as per the December round of the HFPS and the combined prevalence of moderate and severe food insecurity was as high as 83 percent. Food insecurity was not location dependent, with no statistically significant differences between urban and rural areas. Thirty-nine percent of the population is estimated to be moderately or severely hungry according to the Integrated Food Security Phase Classification (IPC)/Cadre Harmonisé (CH)[19] Phase 3+, an internationally accepted measure of hunger. The share of the population in IPC/CH Phase 4+ is estimated at 4.3 percent. Most households reported worrying about lower food quality, not being able to eat healthy and nutritious foods, eating a less varied diet, and consuming less than their requirement during the 30 days preceding the survey. Few respondents reported having gone for an entire day without eating; however, this is likely to conceal hidden hunger which can lead to severe malnutrition with lasting effects on children's development.

Figure 16: Food security weakened but has improved

A - People (#) with insufficient food consumption (food consumption score)



B - Number of meals per day

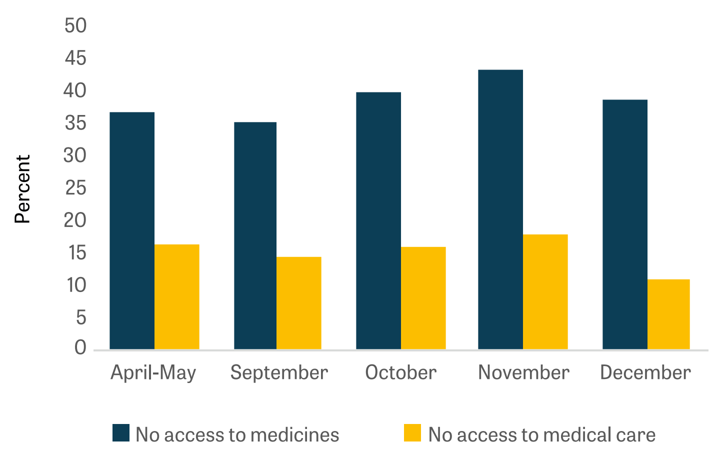


Source: World Food Program (WFP)[20] and World Bank staff calculation based HFPS, Rounds 1 to 5, INS 2020.
Note: The food consumption score is a proxy indicator of household caloric availability. It aggregates household-level data on the diversity and frequency of food groups consumed over the previous seven days, weighted by relative nutritional value of the consumed food groups. Household consumption is classified into: poor, borderline, or acceptable. Insufficient food consumption is poor or borderline food consumption.

2.2.2 Pandemic-related service delivery disruptions in health and education increased vulnerability

Access to medical supplies and health services has been a challenge during the pandemic due to lockdown restrictions. Over a third of households were unable to access medicines, and 16 percent did not have access to medical care during the pandemic (Figure 17). Drugs availability was reduced because of the closure of market places and restrictions on operating hours. Among reasons for inability to get medicines, 15 percent of households reported stock shortages, and 22 percent reported closure of points of sale.

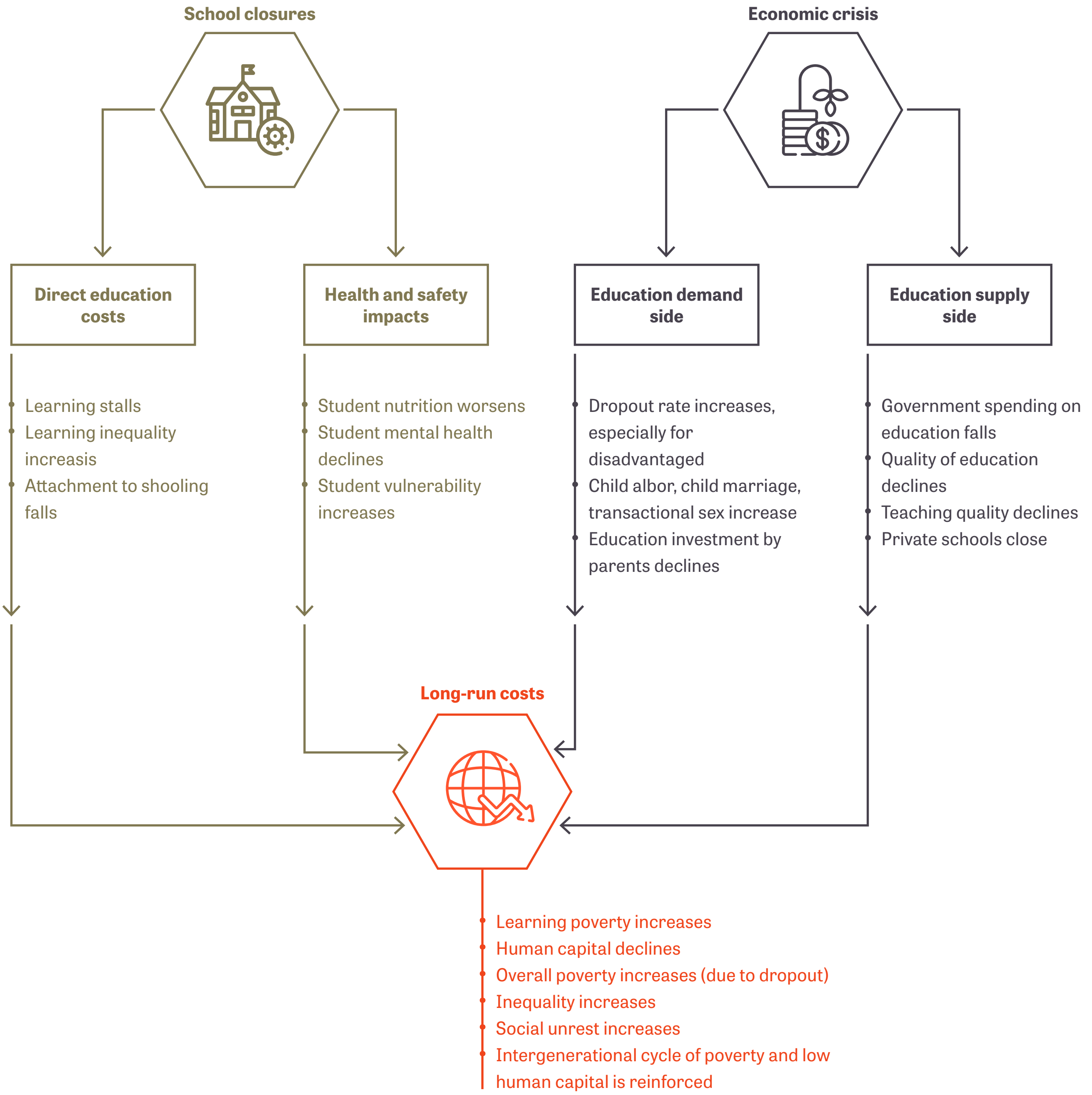
Figure 17: Difficulty accessing medical care and medicines remained through 2020



Source: World Bank staff calculation based HFPS Rounds 1 to 5, INS 2020.
Note: The chart portrays percentage of households who were unable to have access to medicines and medical care

Closure of schools and universities combined with the economic crisis has affected the drivers of learning and threatened education outcomes. Figure 18 provides a summary of the shocks and how they have harmed engagement of students, effective teacher support, and well-equipped classrooms. Unless addressed, the shocks will have a lasting impact on equity in learning and human capital accumulation.[21]

Figure 18: How school closures and the economic crisis harm student learning and drive up long-run costs in education



Source: World Bank 2020.

Learning in households with school-aged children interviewed in the HFPS was higher among those who could afford alternate means of learning. Before the pandemic, 72 percent of households had children enrolled in school. With the school closure measures, half the households nationally reported not having any learning engagement at all, and a mere fifth of the households reported engagement, mostly in the two main cities of Brazzaville and Pointe-Noire at 19 percent and 25 percent respectively (Table 4). Children were engaged in educational activities mostly through television programs, homework (completed alone or under the supervision of a teacher), or home schooling with a household member or a private teacher. Tools were more easily available to richer households and in larger cities. For example, online learning programs and education apps were accessible to less than four percent of households. Only 12 percent of households reported being in contact with a teacher.

Table 4: Proportion of households with children engaged in education activities during lockdown (%)

	Brazzaville	Pointe-Noire	Other locations	National
Yes all	19	25	13	20
Yes, some	24	31	35	30
None	57	44	52	50

Source: World Bank staff calculation based HFPS Rounds 1 to 5, INS 2020.

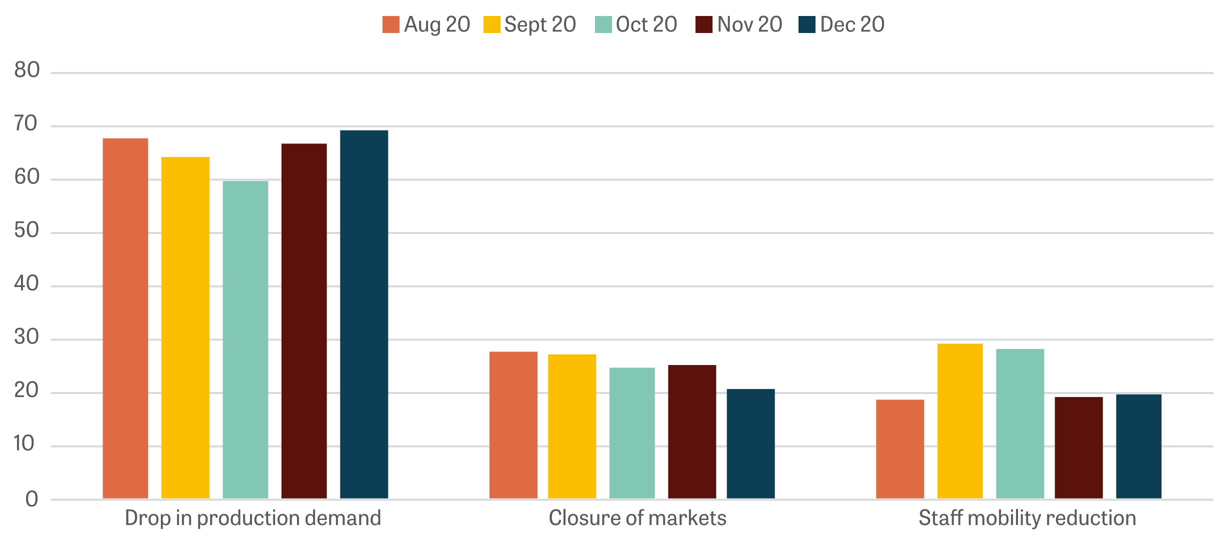
Widespread unemployment and income loss will severely test the ability of households to keep students in school.[22] After schools re-opened in October 2020, children in 82 percent of households resumed classes. Households enrolled children in school despite financial challenges, with two-thirds of households reporting struggling to pay school fees. In October, 25 percent of households had at least one school-aged child who was not attending school, dropping to 21 percent in December. The reason cited for remaining at home was a lack of money. As a result of the pandemic, student dropouts may continue to rise, with many choosing to leave school permanently.

2.3 The impact of COVID-19 on firms and coping mechanisms

2.3.1 The pandemic has affected firms primarily through lowered domestic demand

Drop in domestic demand is the major channel of transmission of the COVID-19 shock to firms. The surveys (Box 3) show that from August to December, at least six out of 10 firms have reported being heavily impacted by the decline in domestic demand for their products. Despite a modest recovery in October, by December almost 70 percent of firms surveyed continued to face reduced demand. In addition, marketplace closures impacted more than 20 percent of firms. Since the Congolese private sector is largely informal, local marketplaces are the common operating location for most businesses. The lockdown and curfew measures also reduced staff mobility, and in September and October, the share of firms suffering from mobility disruption reached almost 30 percent. By December, a fifth of the firms were still affected by a reduction in mobility (Figure 19).

Figure 19: Drop in domestic demand is the major channel of transmission



Source: World Bank staff calculation based enterprise level HFPS Rounds 1 to 5, INS 2020.

Box 3: Firm High Frequency Phone Surveys (HFPS) show how firms are coping

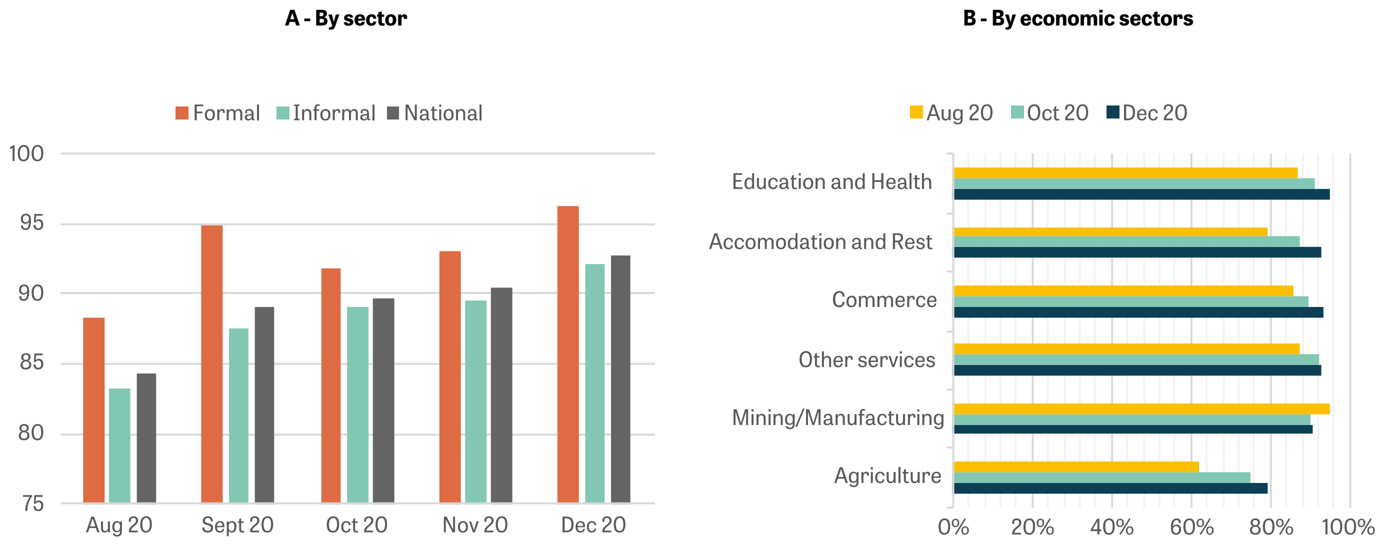
To explore transmission channels of COVID-19 shocks on enterprises the analysis in this report uses data from five rounds of the enterprises component of the socio-economic effects of the COVID-19 high-frequency phone survey in the Republic of Congo (HFPS). The survey is jointly implemented by the National Institute of Statistics (INS) and the World Bank with the aim of monitoring the economic and social impacts of the pandemic at household and firm levels. The HFPS drew a subsample of 1200 firms from a combination of multiple data sources (identification phase of the Enterprise census, economic development surveys, SMEs mapping). The panel survey is not nationally representative nor representative of the sectors of activity. The survey aims to monitor and collect core information across multiple rounds. The survey started on September 1, after the lifting of lockdown. The HFPS questionnaire covers a range of topics, including behavior associated with COVID-19, employment, sales and turnover, impact of the pandemic andgovernment assistance.

Overview of HFPS round 1 to 5

	Round 1	**Round 2**	**Round 3**	**Round 4**	**Round 5**
Data collection period	September 02 to 30, 2020	October 13 to 30, 2020	November 18 to December 6, 2020	December 19, 2020 to January 8, 2021	January 14 to February 5, 2021
Implementation method	Computer-assisted telephone interviewing (CATI)				
Number of respondents	912 firms	818 firms	1012 firms	1113 firms	1107 firms
Response rate	76%	68.2%	84.3%	92.8%	92.2%

Both formal and informal sector firms reported being affected by the pandemic. Between August and December, there was an 8-percentage point increase in firms reporting an impact from the pandemic, rising from 88 percent to 96 percent for the formal sector and from 83 to 92 percent for the informal. The impact on the mining and manufacturing sector was the largest at 95 percent in August and 91 percent in December. The agriculture sector had the lowest impact at 62 percent in August, rising to 79 percent by December, still the lowest among all sectors (Figure 20). The impact on sectors matches similar findings from household surveys.

Figure 20: Both formal and informal sector firms are affected by the pandemic



Source: World Bank staff calculation based enterprise level HFPS Rounds 1 to 5, INS 2020.

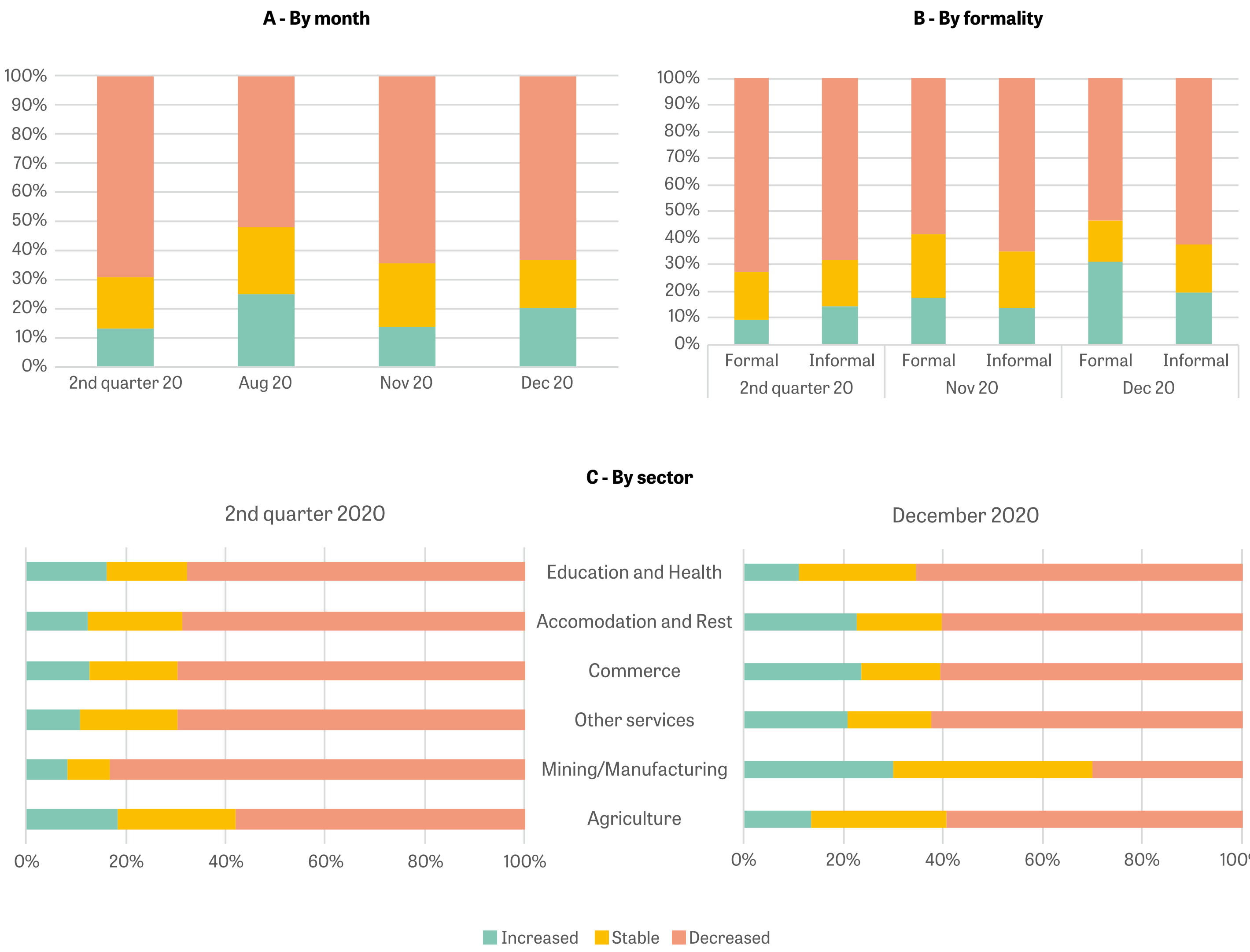
2.3.2 The damage to firms' sales revenues varied over time and by formality, sector, size and location

Most firms experienced a decrease in monthly sales revenue, but recovery late in the year was driven by the formal sector. Compared to the pre-crisis period, in the second quarter of 2020 at the outset of the pandemic, 69 percent of firms across the country reported a decline in monthly sales. The situation has improved over time with 20 percent of firms registering an increase in their monthly sales by December 2020 as opposed to 13 percent at the beginning of the pandemic (Figure 21-A). The recovery is mainly driven by the formal sector, where 31 percent of firms recorded an increase in monthly revenue (Figure 21-B).

Sales of firms operating in the mining and manufacturing sector were particularly harmed early in the pandemic but recovered later in 2020. The early impact of reduced sales was highest in mining and manufacturing at 83 percent, but the sector recovered to 30 percent by December 2020. Sales in the agriculture sector had an initial fall in the second quarter of 2020 of 58 percent and picked up a marginal one percentage point by December. However, the recovery of other sectors is not as robust, with education and health showing a mere 3 percentage point increase in sales, and commerce and the accommodation and restaurant sector recovering by 9 percentage points each. Overall firm performance in 2020 is poor compared to 2019, with less than a fifth of firms exhibiting stability in their sales (see Figure 21-C).

Quarterly performance of firms is driven by size, location, and sector, with larger firms and those in Pointe Noire performing better while the hotel and restaurant sector suffered most. Although almost nine out of 10 firms reported a loss in quarterly sales revenue during the lockdown, large firms recorded better performance, with 37 percent registering no change or an increase in their sales revenue compared to the same period in 2019. Likewise, businesses located in Pointe Noire, the economic hub of the country, experienced a marginally lower loss in quarterly sales revenue compared to those elsewhere. On the other hand, firms operating in accommodation and restaurants, followed by commerce and education and health, were hit the hardest due to a ban on large gatherings, the closure of schools, and other lockdown-associated measures.

Figure 21: The pandemic has negatively affected sales revenue

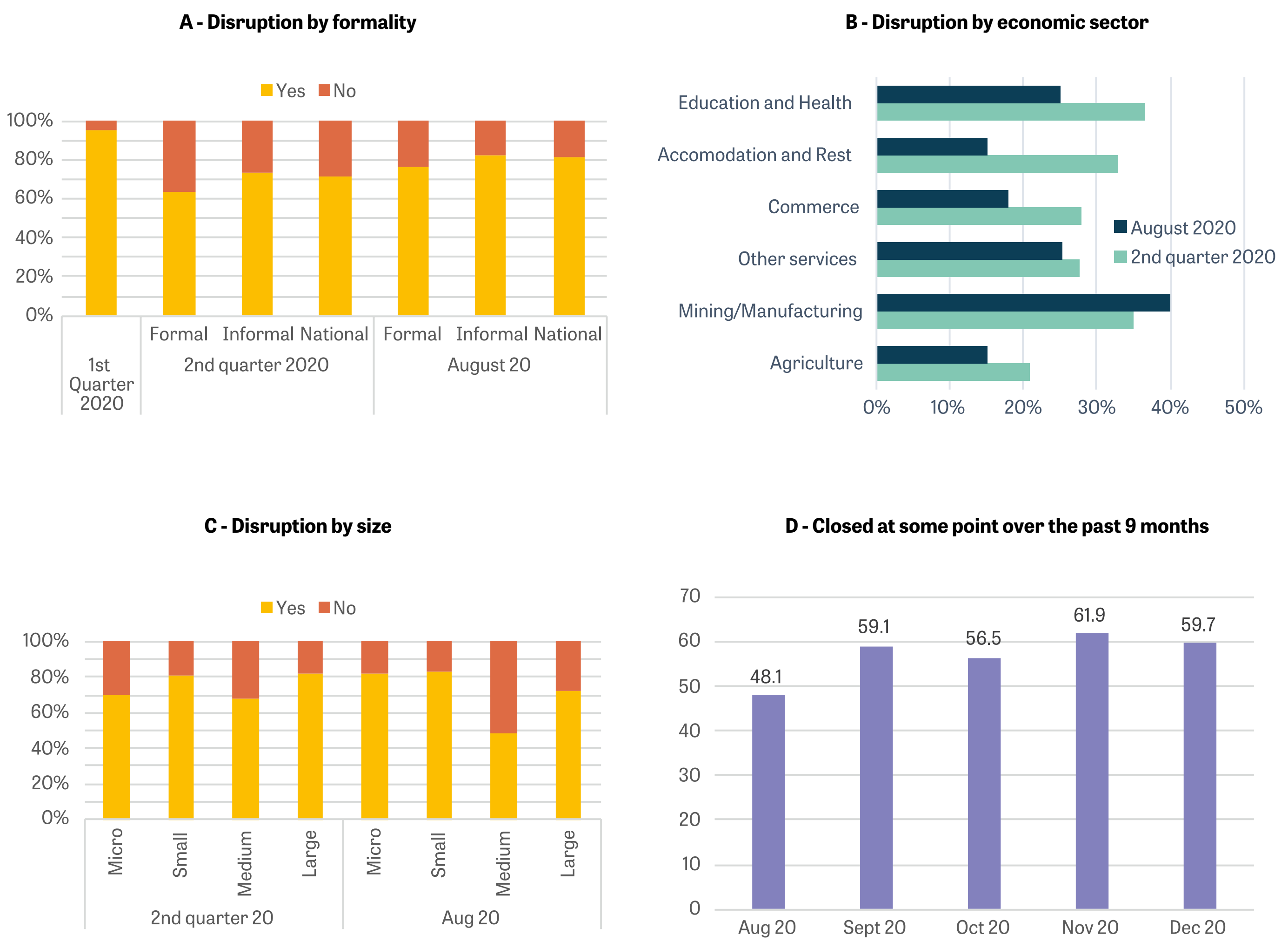


Source: World Bank staff calculation based enterprise level HFPS Rounds 1 to 5, INS 2020.
Note: The increase, decrease, and stability of sales in the second quarter of 2020 is reported relative to the pre-pandemic period (first quarter of 2020) and in December 2020 to November 2020.

2.3.3 Slowdown in business operations in the second quarter of 2020 partially corrected by December

More than a third of formal businesses stopped operating during the second quarter of 2020. About 23 percent more firms closed temporarily or permanently in the second quarter of 2020. With the exception of mining and manufacturing, the share of firms closing has declined over time. In accommodation and catering, half of the firms reopened in August. Firms operating in agriculture and services are reopening at a slower pace compared to those in education, health, and commerce. Only three percent of firms that had closed during the lockdown reopened in the service sector by December, and six percent reopened in the agriculture sector (Figure 22).

Figure 22: Business operations were disrupted



Source: World Bank staff calculation based enterprise level HFPS Rounds 1 to 5, INS 2020.

Disruption in business operations differs across firms without a specific pattern that can be associated with the size of the firm. About a fifth of the large firms (over 100 employees) as well as the small-size firms (5 to 19 employees) reported temporary or permanent closure during the second quarter of 2020. In the micro and medium categories, 30 percent closed down. Although firms are gradually reopening, more than half were forced to close at some point in time since the pandemic hit the country.

2.3.4 Firms reduced jobs, hours and wages

Like most African countries, firms in Congo have adjusted to the pandemic shock by laying off workers and reducing working hours and wages. A third of firms reduced their permanent and temporary workforce in the second quarter of 2020. However, by December, the share of firms that reduced their staff decreased to 6 percent. At the start of the pandemic, both informal and formal activities were hit equally. However, despite some recovery driven by the lifting of restrictions, 20 percent of firms in the formal sector were still firing workers. By September, only 10 percent of formal firms reported increasing their personnel. In the informal sector, mostly populated by micro-sized firms, employment has not fallen. Figure 23-D shows that job reduction is driven by medium and large-sized firms. Mining and manufacturing sector employment took a particularly hard blow, reducing employment by 67 percent in the second quarter of 2020 (Figure 23-C).

A large number of firms reduced their hours of operation. Over the last quarter of 2020, seven out of 10 firms decreased their working hours. Firms in the informal sector that do not have fixed working hours and are usually open for long hours had to reduce their working time to comply with COVID-19 preventive measures. Work hour reductions particularly affected firms operating in services (commerce, other services, and hotels and restaurants). Since marketplaces opened four out of seven days from 10 am to 4 pm, the hours of operation of micro-sized firms were affected, with seven out of 10 reducing their operating time during the lockdown.

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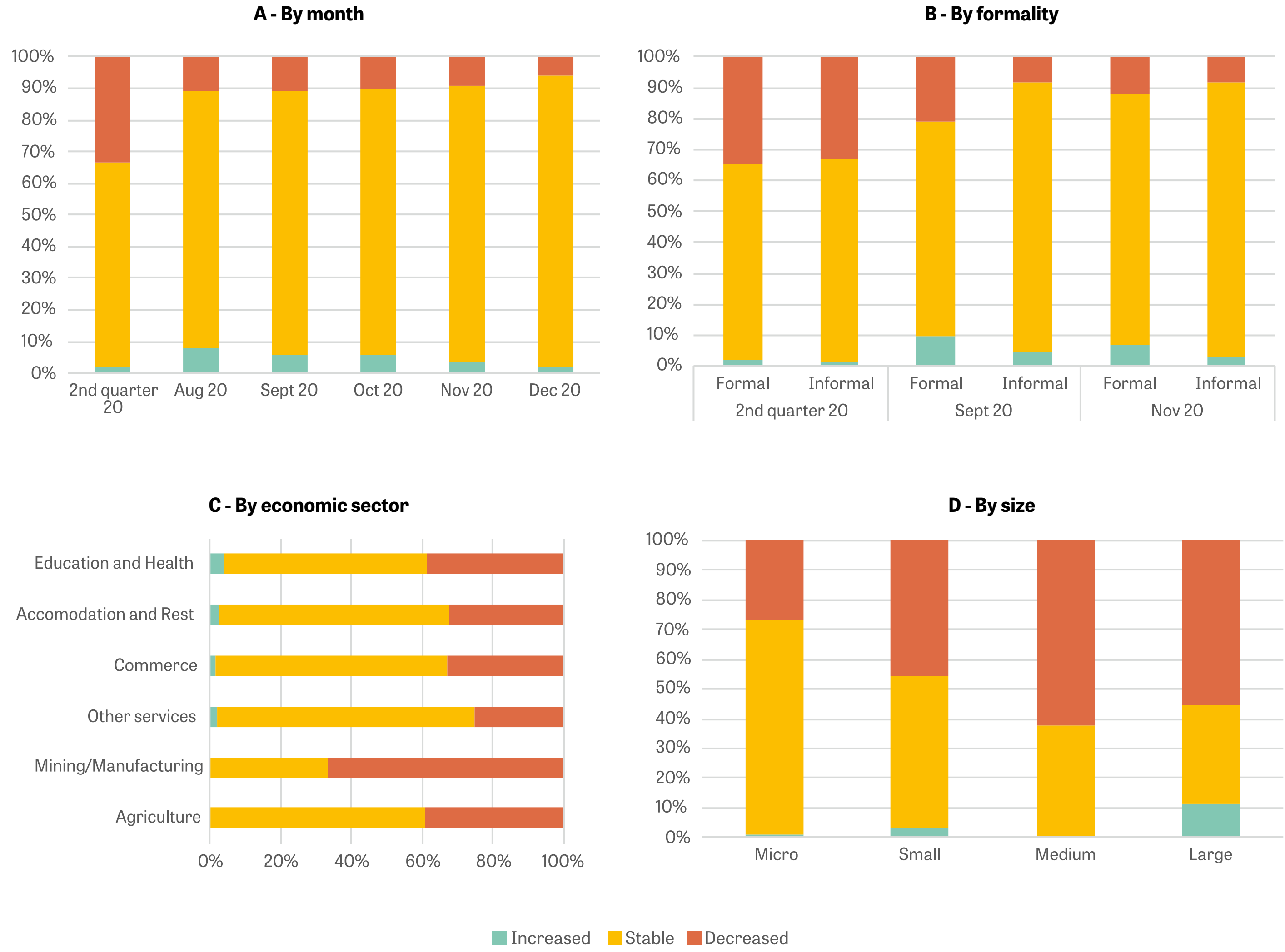
Figure 23: Firms cut employment, with larger cuts by formal firms, medium and large firms, and those in mining and manufacturing



Source: World Bank staff calculation based enterprise level HFPS Rounds 1 to 5, INS 2020.

Almost four out of 10 firms used reduced salaries as a coping mechanism for the COVID-19 shock. The percentage of firms that reduced salaries declined to less than 20 percent in the third and fourth quarter, but 17 percent of firms continued to have reduced salaries in December. In all sectors, the share of firms that cut off salaries dropped over time except in the mining and manufacturing sector. At first, with the slow recovery of the economy, the percentage of firms dropped from 30 percent in the second quarter to 8 percent in October. By the end of 2020, the number of firms that had cut salaries jumped by 19 percent.

Salary cuts are less popular among large-sized firms since most employees have formal contracts with less flexibility in adjusting salaries. Only 9 percent of the large-sized firms reduced the salary of new staff hired during the lockdown. Large salary reductions were observed in medium-sized firms, with 42 percent of these firms reducing the staff salaries. The location of firms did not play a significant role in affecting employee salaries.

Among the firms that exercised salary cuts, three-fifths cut employee wages in half. Employees of almost 14 percent of the sampled firms lost 50 to 75 percent of their wages. As authorities started lifting containment and curfew measures, the tendency to reduce salaries reversed, and salary cuts in most firms could be contained to a maximum of 25 percent as revealed in the later rounds of the HFPS.

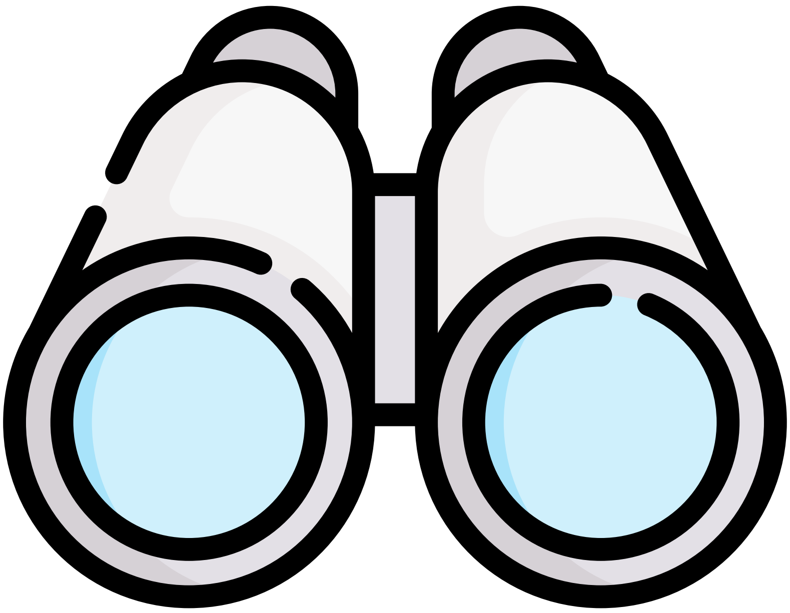
2.3.5 Firms' ability to meet financial commitments and invest in equipment fell sharply

The pandemic has altered firms' ability to meet their obligations and invest in equipment. More than 90 percent of firms have reported financial constraints in dealing with their monthly commitments (Table 5). From August to December, more than half of the firms struggled to pay their rent. Even though more than a third have reduced staff salaries, in December 43 percent of firms reported having difficulties in paying salaries. More than 40 percent of firms also canceled investment in equipment and this share did not change over the period from August to December.

Table 5: Ability to meet financial commitments (%)

		Aug 20	Sept 20	Oct 20	Nov 20	Dec 20
Canceled procurement of equipment		43.6	42.1	42.7	41.2	43.0
Proportion of firms that struggles to ...	Pay their employees salaries	36.1	43.2	44.1	45.5	42.6
	Pay their rent	54.9	48.1	50.9	60.1	58.2
	Pay their Loan repayment	9.7	12.6	14.9	13.8	14.8
	Pay their Vendor's bills	46.6	54.9	57.3	62.9	66.1
	Other charges	24.2	26.6	25.9	27.5	30.1
Proportion of firms that experienced no financial pressure		8.0	7.2	5.7	6.4	7.2

Source: World Bank staff calculation based enterprise level HFPS Rounds 1 to 5, INS 2020.



3

Short-term Outlook and the Path to Recovery

3.1 A strong but uneven global economic recovery will begin in 2021 and moderates in the medium-term amid threats of new COVID-19 outbreaks and a gradual withdrawal of policy support

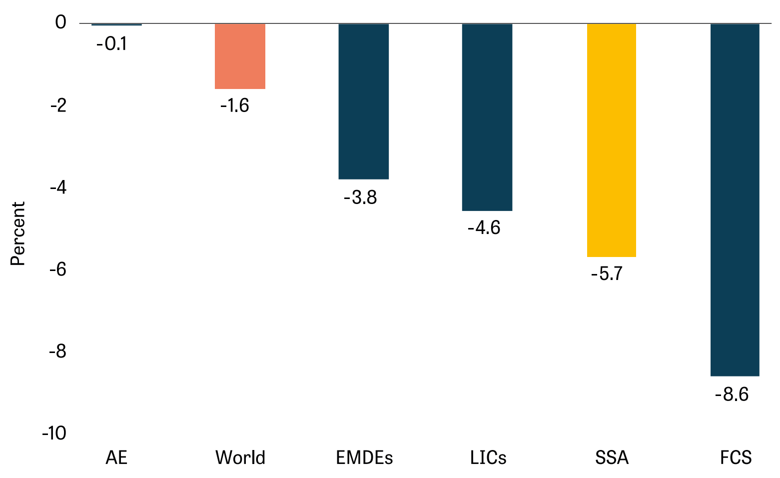
The pace of vaccination in low-income countries has been slow. Inoculations in low-income countries, most of which are located in SSA, have been very slow compared to the advanced economies. Despite the COVAX facility assisting some countries in acquiring vaccine doses, a mere 2.4 percent of SSA's population has been fully vaccinated against 33 percent globally as of end-September 2021.

The global economy overall is set to experience a strong but highly uneven recovery while SSA economies will recover at a moderate pace in 2021 amid a low pace of vaccination. Following a sharp 3.5 percent contraction in 2020, global economic activity is envisioned to resume at 5.6 percent in 2021 and 4.3 percent in 2022 thanks to a steady but highly unequal vaccine access, according to the World Bank June 2021 GEP report. Growth is projected to be concentrated in a few major economies, with most emerging market and developing economies (EMDEs) lagging behind and failing to reverse last year's output loss (Figure 24, top panel). In SSA, output growth is expected to resume modestly at 3.3 percent in 2021 and reach 3.5 percent in 2022, after an estimated 2.0 percent collapse last year (Africa's Pulse, October 2021). After avoiding a contraction last year, output in China—Congo's largest trade partner—is expected to grow robustly by 8.5 percent in 2021. In the Euro zone—Congo's second-largest export destination—GDP is forecast to rebound at 6.8 percent this year, predicated on rapid inoculation campaigns that will help rein in COVID infections. However, the pace of global economic recovery could further decelerate in 2022-23 amid intermittent interruptions in activity due to continued COVID-19 outbreaks, supply chain disruptions, and a gradual withdrawal of policy support.

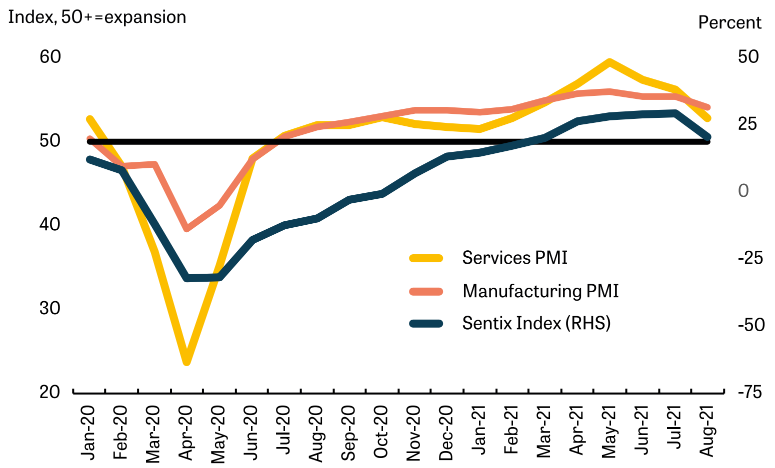
Global sentiment continued to improve over the first half of 2021, and the rally in commodity prices, if maintained, is likely to firm the recovery for major commodity exporters. The global composite Purchasing Managers' Index (PMI) has remained in an expansionary territory for more than a year but has been somewhat decelerating since June with manufacturing adversely affected by supply bottlenecks and the services sector weighed down by new virus outbreaks. Meanwhile, investor confidence continued to improve, with the global Sentix index on the rise for several months, except in August 2021 (Figure 24, middle). Commodity prices have rebounded, with broad-based increases across most commodities (Figure 24, bottom panel). Oil prices hit US$80/barrel around end-September, the first time in 3 years. The gradual recovery of global demand, and full compliance by OPEC+ members with oil production cut agreements, have lifted oil prices. Overall, despite the projected recovery, lingering headwinds from the pandemic, including the spread of more transmittable variants of the virus and uneven vaccination rates, will likely continue to weigh on economic activity in the near term, especially in EMDEs.

Figure 24: Global economic recovery is projected to be strong but highly uneven and lackluster in EMDEs compared to pre-COVID-19

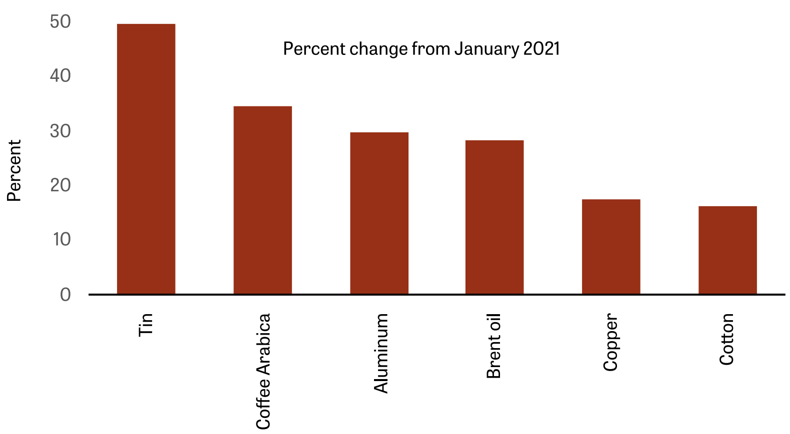
Gaps with pre-pandemic projections by 2022



Global sentiment indicators



Commodity prices



Source: World Bank staff calculation based enterprise level HFPS Rounds 1 to 5, INS 2020.

Note: EMDEs=emerging market and developing economies; LICs=low-income countries; SSA=Sub-Saharan Africa; FCS= fragile and conflict-affected states. The first figure shows the gaps between the current projections (June 2021 edition of the GEP report) and the forecasts released in the January 2020 edition of the GEP report. The second (middle) Figure shows percent balance of sentiment on the current economic situation and the PMI. PMI readings above 50 indicate expansion in economic activity; readings below 50 indicate contraction. Last observation is August 2021. The third figure shows the percentage change in commodity prices since January 2021. Monthly prices are calculated as simple averages of the daily prices. Last observation is August 2021

3.2 Congo's economy is expected to gradually rebound in the medium-term

Congo's economy is expected to contract by 1.2 percent in 2021 and gradually recover in the medium term. Despite the rally of oil prices observed since January 2021, the oil sector is projected to contract by 1.8 percent in 2021. Oil production in Congo declined further in the first half of 2021, partly due to postponed investments, technical challenges, and maturing oil fields, falling by 8.2 percent relative to the second half of 2020 and by 13.3 percent compared to the same semester last year. The non-oil sector remains fragile for several reasons. Despite government efforts to clear domestic debt, arrears to the private sector are still high at US$2.5 billion, and credit growth has not caught up with banks' deposit growth. Congo launched its vaccination campaign against COVID-19 in March 2021, but only about 2.7 percent of the population has been fully vaccinated as of September 7, 2021 although the country has already received 1 million doses of COVID-19 vaccines for a population of 5.7 million. COVID-19 state of emergency and social distance measures will last for some time, affecting the service sector. Overall, the non-oil sector is expected to contract by 0.5 percent in 2021. The economy is projected to rebound over 2022-2023, with GDP growth averaging 3.1 percent thanks to a more dynamic oil sector and a gradual recovery of the non-oil sector. The new SDR allocation from the IMF equivalent to US$221 million will provide policy space that could be used to enhance the recovery. The poverty rate is expected to rise to 53.3 percent in 2021–23, consistent with GDP per capita growth. Assuming the economy grows by an annual average of 5 percent starting in 2024, GDP per capita will only return to pre-COVID-19 levels by 2028, and it will remain below the 2014 level. Meanwhile, the poverty rate is projected to return to pre-pandemic levels by 2026. Lower growth will further delay the recovery of income per capita. Inflation is projected to remain below the 3 percent regional ceiling. The current account balance is projected to turn positive from 2021 onwards owing to the recovery of oil exports (Table 6).

Fiscal consolidation is expected to resume in 2021 and public debt-to-GDP ratio expected to fall sharply. With the decline in oil production in 2021H1, government finances remain under significant pressure. Although revenues were up 6.6 percent, year-on-year, in 2021H1, they were lower than expected, and the budget registered a deficit in 2021H1. This prompted the government to revise its 2021 budget law in August. Consistent with the revised budget law, fiscal consolidation is expected to resume in 2021, owing to high oil prices and contained public expenditure. The fiscal balance is projected to improve from a deficit of 1.3 percent of GDP in 2020 to a surplus of about 2.7 percent of GDP in 2021. It is projected to remain in surplus in 2022-23 thanks to increased oil revenue and the expected outcomes of tax administration and tax policy reforms.[23] From its current level of 102.6 percent of GDP, debt is expected to fall sharply to 86.6 percent of GDP in 2021 and to 73.4 percent of GDP in 2023, driven by high external debt amortization payments tied to oil prices, and higher nominal GDP. While Congo is moving back to debt sustainability, its debt remains in distress. Finalization of pending restructuring agreements and clearance of arrears remain critical to enhance debt sustainability, and reduce the likelihood of debt distress.

Table 6: Key economic indicators of the Congolese economy

Real economy	**2016**	**2017**	**2018**	**2019**	**2020[e]**	**2021[f]**	**2022[f]**	**2023[f]**
Real GDP, % change	**-10.8**	**-4.4**	**-4.8**	**-0.1**	**-7.9**	**-1.2**	**3.2**	**3.0**
Demand								
Private consumption, % volume change	-2.0	-9.4	4.6	1.6	-4.2	-1.3	2.2	2.0
Government consumption, % volume change	-13.8	-16.8	-4.7	-18.7	-1.4	-1.7	-1.3	-1.8
Gross fixed investment, % volume change	-13.2	-49.3	-25.2	-2.3	-15.4	-0.1	4.3	8.4
Exports, % volume change	4.9	14.4	11.4	7.4	-9.2	-1.3	4.6	4.5
Imports, % volume change	-9.0	-34.5	5.1	3.2	-10.4	-1.0	4.5	6.5
Production (oil vs non-oil)								
Oil GDP	-8.4	25.3	12.0	1.8	-7.7	-1.8	3.5	3.0
Non-oil GDP	-16.4	-15.2	-20.3	-3.3	-8.3	-0.5	2.9	3.0
Production (economic sectors)								
Agriculture, % volume change	-0.1	9.0	-1.1	0.2	-6.0	2.7	2.3	2.3
Industry, % volume change	-22.1	4.5	-7.9	0.2	-7.7	-1.8	3.5	3.0
Services, % volume change	-2.9	-9.6	-4.2	-1.8	-8.7	-1.2	3.0	3.2
Consumer Price Index, % change	**3.1**	**0.5**	**1.2**	**2.2**	**1.4**	**2.0**	**2.2**	**2.5**
Fiscal accounts								
Revenues, % GDP	21.3	17.7	25.5	27.3	22.1	25.5	26.2	27.1
Expenditures, % GDP	27.3	23.3	20.2	23.8	23.4	22.8	23.8	24.9
Fiscal balance, % GDP	-6.0	-5.6	5.4	3.4	-1.3	2.7	2.5	2.2
Public debt, % GDP	**90.5**	**94.4**	**77.0**	**81.9**	**102.6**	**86.6**	**78.3**	**73.4**
External debt, % GDP	79.5	64.5	52.9	57.1	64.5	49.4	42.2	38.1
Domestic debt, % GDP	11.1	29.9	24.1	24.8	38.1	37.2	36.2	35.3
Current account balance, % GDP	**-50.2**	**3.0**	**8.9**	**-0.8**	**-1.0**	**8.5**	**6.4**	**4.2**

Source: World Bank staff, Ministry of finance, National Institute of Statistic and BEAC.
Note: e = Estimate; f = Forecast.

The outlook is subject to upside and downside risks. The risks to Congo's economic stability stem not only from the COVID-19 pandemic and vaccine rollout in the country but also from its international repercussions. Downside risks include the duration and severity of the pandemic, potential internal social unrest due to falling incomes, high volatility in oil prices, and the Government's ability to put in place fiscal consolidation measures to address debt accumulation. Upside risks include more rapid vaccination in Congo and around the world leading to better than expected oil price increases and growth rates. Indeed, Johnson & Johnson recently pledged to supply 400 million single-dose COVID-19 vaccines to the African Union, of which about 1.3 million doses are expected to go to Congo, bringing it closer to its COVID-19 vaccination target.

3.3 Sustainable recovery will depend on strengthening health care, supporting vulnerable households, enforcing bold reforms to restore and maintain fiscal sustainability, and promoting broad-based growth, all sustained by better data collection for policymaking

The foremost priority for Congo is to strengthen the health care system to ensure availability and an equitable distribution of COVID-19 vaccines. The recovery of domestic economic activities, especially in the non-oil sector, depends on a successful rollout of the vaccine in the country.[24] In the short term, the following actions will contribute to success: (a) with support from the development partners, putting in place an effective coordination mechanism to ensure availability and equitable distribution of COVID-19 vaccines; (b) deploying an effective communication strategy including involving community leaders (traditional chiefs, opinion group leaders, and religious leaders) and healthcare workers to increase the population's trust in the vaccines; and (c) obtaining the necessary equipment to ensure the proper storage of vaccines and to secure the safety of health care workers.

At the same time, the Government needs to expand the social protection program to ease hunger and food insecurity in the vulnerable population. In fact, actions should be taken to support vulnerable households impacted by the crisis and to contain food insecurity in the short term to avoid a medium-term increase in chronic malnutrition. In 2015, the prevalence of stunting among children under 60 months was about 21 percent, with considerable variation among regions (from 16 to 37 percent).[25] If the effects of the COVID-19 pandemic last, the nutritional situation could deteriorate, with long term consequences for development because of reduced human capital formation and economic productivity. In the short and medium term, building on the social registry (Registre Social Unique – RSU), the Republic of Congo needs to scale up its national social safety nets program by expanding the coverage of the Lisungi program and e-payment of transfers to reinforce the resilience of the most vulnerable.

Then, a sustainable recovery will depend critically on restoring and maintaining fiscal and debt sustainability. The Republic of Congo is in debt distress owing to several factors including weaknesses in debt management, low mobilization of non-oil revenues, and contingent liabilities of state-owned enterprises (SOEs). Addressing these shortcomings will pave the way to restoring and reinforcing fiscal and debt sustainability through fiscal consolidation, and enhanced debt management and transparency. In the short run, the following actions could be pursued.

- Fiscal consolidation: While expenditures have been broadly contained, mostly via cuts to public investment, efforts at fiscal consolidation should gradually rebalance expenditures toward efficient public investment. Revenue mobilization could be enhanced by: (a) rationalizing some tax expenditures, including in the oil sector; (b) improving collection of tax arrears; and (c) pursuing efforts to complete the technical requirements for the optimal use of a new information technology system to leverage taxes from forestry companies.[26,27]
- Debt management and transparency could be enhanced by: (a) finalizing pending commercial debt restructuring agreements and clearing external arrears; (b) centralizing and including SOE debt information in published debt reports; and (c) developing a medium-term debt strategy and consistent annual borrowing plans.[28]

Critical reforms and support will be needed to lay the foundation for broad-based growth. Economic diversification is at the heart of Congo's national development strategy and would lay the foundation for broad-based inclusive growth. Regulatory burdens and access to finance for small and medium enterprises (SMEs), among other factors, constrain economic diversification and firm productivity. Relevant reforms include: (a) pursuing the clearance of domestic arrears to provide liquidity to the private sector; (b) completing the ongoing advanced efforts to regulate leasing and factoring services to increase access to finance for SMEs; and (c) completing the ongoing digitalization of the registration of companies to make it easier for companies to start a business.

A final priority is to fill data gaps to better support poverty and vulnerability reduction policies. Progress has been made in terms of data collection including price data, a recently completed enterprise census in 2021, and a population census cartography, but key gaps remain in data to monitor poverty and vulnerability. Thus, Congo could gain by investing in: (a) administering a new national household survey, a decade after the last survey, for an in-depth analysis of poverty, vulnerability, jobs, education and health outcomes, and maintaining quarterly household and enterprise HFPS to monitor risks and economic recovery; (b) mobilizing resources to complete the second phase of the population census to enable targeting for social programs and to run an enterprise survey that will enable design of policies in favor of the development of the private sector; and (c) modernizing vital statistics including the digitalization of registries to improve identification in the country. Filling these key data gaps will contribute to higher quality development data for Congo, the foundation for meaningful policy-making, efficient resource allocation, and effective public service delivery.

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Endnotes

1. https://wwwnc.cdc.gov/eid/article/27/6/21-0568_article
2. https://www.ijidonline.com/article/S1201-9712(20)32589-3/pdf
3. https://openknowledge.worldbank.org/bitstream/handle/10986/35647/9781464816659.pdf
4. Congo's GDP contraction since 2015 resulted from the 2014-17 oil price shock that directly affected the oil and non-oil sectors. While the oil sector started to recover in 2017, the non-oil sector continued to contract. With lower government revenues, the government had accumulated arrears to the non-oil private sector including banks which had reduced the ability of firms to operate and banks to provide credit. The government also drastically reduced capital expenditures with direct impact on construction and related sectors.
5. The most important factor was the injection of liquidity into the banking system though the "Club de Brazzaville" operation (see section 1.5).
6. The last available data point is August 31st, 2020.
7. Data on banks' lending rates are not available.
8. https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#C
9. The 112 million barrels of oil produced in 2020 set the production trajectory on a path well below the original target of 140 million barrels set in the Government's budget for 2020. This was also below the October 2020 revised target of 119 million barrels.
10. This amount includes the financing from the "Club of Brazzaville" operation that was carried out through securitization of government domestic arrears.
11. World Bank (2019), Change in monetary and non-monetary poverty in the Republic of Congo (RoC) between 2011 and 2015.
12. Inflation data is based on the 2018 updated methodology of the Congolese National Institute of Statistics.
13. Few workers have the opportunity to work from home in the Republic of Congo. Despite the pandemic, according information from the HFPS, less than 5 percent of workers reported working from home in August.
14. Self-employment (own account) is not included.
15. Using US$1 ~ XAF 547.2 as the average exchange rate during October 30, 2020 to April 28, 2021, https://fr.exchange-rates.org/history/XAF/USD/T
16. This case considers households that reported income loss without any members having stopped working due to the pandemic.
17. The COVID response operation has also permitted to expand the Lisungi Social Registry to more than 700,000 households (out of estimated total 1.2 million households nationally).
18. FAO, IFAD, UNICEF, WFP and WHO. 2020. The State of Food Security and Nutrition in the World 2020. Rome, FAO
19. The IPC and the CH are internationally accepted measures of extreme hunger.
20. HungerMpa Live: Hunger and COVID-19 Weekly Snapshot - Congo, November to December, 2020
21. World Bank (2020): The Covid-19 pandemic: Shock to education and policy responses, World Bank Group, May.
22. World Bank (2020): The Covid-19 pandemic: Shock to education and policy responses, World Bank Group, May.
23. These reforms include the ongoing digitalization of tax declaration and tax payments, the ongoing implementation of the new Forest Code and a one-stop-shop for tax payments, and the increase in excise taxes on tobacco and old vehicles in 2021.
24. The World Bank's Africa's Pulse report of April 2021 presents a benefit-cost analysis of inoculating different proportions of the population over a 12-month period against a 'no vaccination' scenario, based on a recent study by Ahuja et al. 2021, "Purchasing Covid-19 Vaccines: Analysis of Costs and Benefits for Africa." World Bank, Washington, DC. For Congo, the potential economic benefits of purchasing vaccines clearly exceed the costs. Specifically, vaccines purchases (at the COVAX price) to immunize alternative scenarios of vaccinating different shares of the population would have a benefit-cost ratio above one. Under the 60 percent of the population scenario, the benefit-cost ratio of moving to 'herd immunity' is 22.3.
25. World Bank (2020), Realizing Demographic Dividends in the Republic of Congo, Poverty and Equity Global Practice, World Bank Group, June.
26. The new system is SIVL, or Système informatique de vérification de la légalité et de la traçabilité des bois (Information technology system for verifying the legality and traceability of timber)
27. For a more detailed discussion of policy recommendations to enhance Domestic Revenue Mobilization, see the 6th edition of Congo's Economic Update: Strengthening Domestic Revenue Mobilization in the Republic of Congo, May 2019
28. For a full discussion on Congo's debt situation and policy recommendations to enhance , see the 7th edition of Congo's Economic Update: Escaping the high-debt trap, August 2020

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