

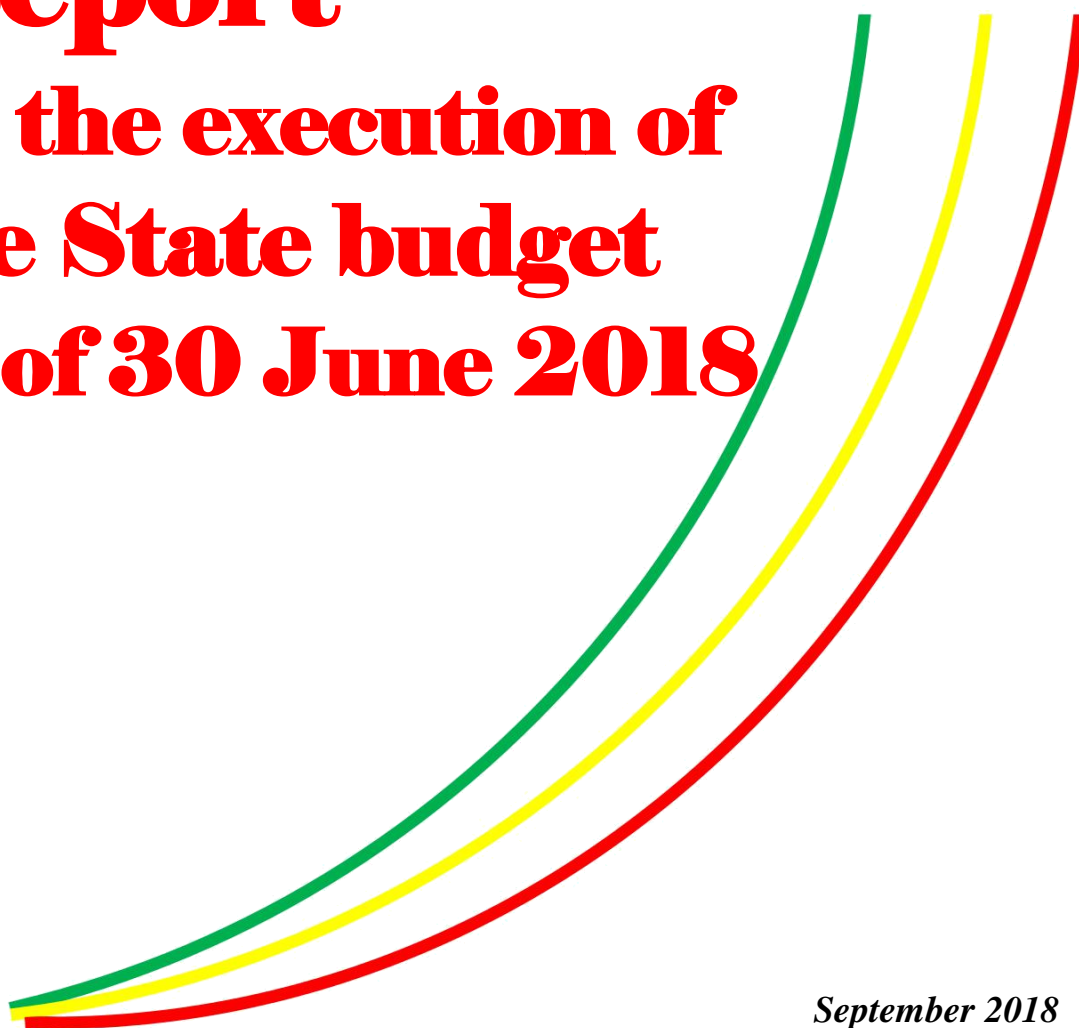
REPUBLIC OF CONGO

Unity -Labour-Progress

MINISTRY OF FINANCE AND BUDGET



Report on the execution of the State budget as of 30 June 2018



September 2018

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INTRODUCTION

The execution of the Finance Law in general and the State budget in particular, is marked at the end of June 2018 by macroeconomic prospects which are favorable, with an economy that would remain in a recovery situation characterized by a growth of +6,2 points to 3,1 per cent. This growth is mainly driven by the activities of the primary sector, especially the oil-subsector (25,6 per cent against 15,3 per cent in 2017). This analysis is also part of a context marked by significant progress on the complete pacification of the Pool division.

With a view to concluding an Agreement with the International Monetary Fund, the Government continues to (i) put in place conditions to improve governance and transparency; (ii) negotiate with foreign creditors for debt restructuring to make it sustainable.

In addition, the public finance reforms been underway that have been underway for several years, and are continuing with among other the implementation of the Integrated Financial Management System, is an important part of the context.

As of first quarter, the execution of the State budget is realized in revenues at 908,4 billion FCFA and in expenditure at 759 billion FCFA, resulting in a budget surplus of 149,2 billion FCFA. However, the execution of cash and funding operations is characterized by a residual gap of 261,2 billion FCFA.

In the first chapter, this report analyses the results of the execution of the State budget. He points out differences in both revenue and expenditure. The second chapter presents the various balances to examine the financial capacities of the State and the reliance of the public finance on oil revenues. The third chapter looks at cash and funding operations. It assesses foreign and domestic fundings for an analysis of the State's ability to cover the net funding need.

RESULTS OF THE EXECUTION OF THE BUDGET AS OF 30 JUNE 2018

The 2018 Finance Law provides for the budget of the State adopted in revenue at 1 602,6 billion FCFA and in expenditure at 1 383,6 billion FCFA, with a level of fiscal revenues higher than expenditures of 219,0 billion FCFA. It also includes in financing resources of 200,2 billion FCFA for expenses of 979,1 billion FCFA. The result is a cash and financing deficit of 778,9 billion FCFA, which will be offset by a contribution of 219,0 billion FCFA from the fiscal balance and the support expected from creditors.

The execution of the State budget as of 30 June 2018 shows a positive fiscal balance of 149,2 billion FCFA for an annual forecast of 219,0 FCFA. However, the pace of execution of revenues and expenditures can lead to an improvement for the situation at the end of December 2018 by positively impacting the fiscal balance. Indeed,

à At this pace, the revenue and public expenditure, as of 31 December, would be at 1 495,7 billion FCFA and 1 507,9 billion, respectively, and the fiscal balance would be about 261,2 billion FCFA.

Table 1: Execution by type of budget

TYPES OF BUDGET	FISCAL REVENUE				BUDGET EXPENDITURES				FISCAL BALANCE	
	FORECASTS		EXECUTION		FORECASTS		EXECUTION		FOREC.	EXEC.
	Amount	per cent BE	Amount	%	Amount	per cent BE	Amount	%		
General budget	1522,6	95,0	879,3	57,7	1303,6	81,3	729,9	56,0	219,0	149,4
Subsidiary Budgets	11,8	0,7	0,9	7,7	11,8	0,7	0,9	7,4	0,0	0,0
Special accounts of the Treasury	68,2	4,3	28,2	41,3	68,2	4,3	28,5	41,7	0,0	-0,3
TOTAL BUDGET OF THE STATE	1602,6	100,0	908,4	56,7	1383,6	86,3	759,2	54,9	219,0	149,2

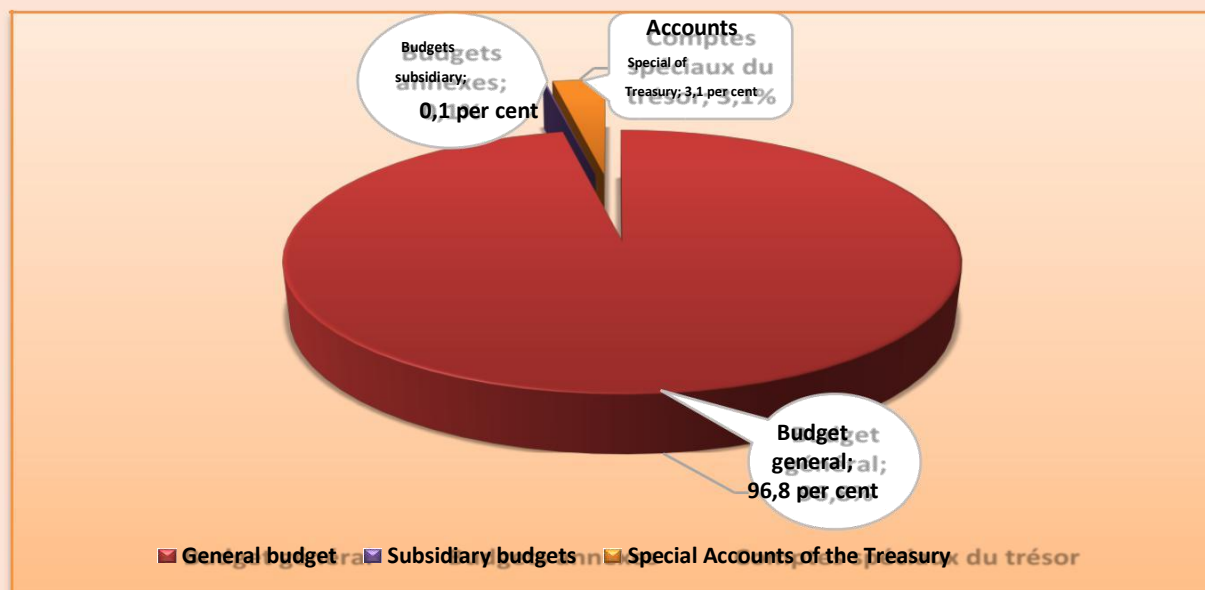
Source : DGB

1.1 Execution of fiscal revenues

Projected at 1 602,6 billion FCFA, the revenues of the State budget are realized at 908,4 billion FCFA, corresponding to a rate of 56,7 per cent mainly driven by revenues of the general budget executed at 57,7 per cent in the first quarter. The revenues of the subsidiary budgets and Special Accounts of the Treasury, however, are executed at 0,9 billion FCFA (7,7 per cent) and 28,3 billion FCFA (41,5 per cent), respectively.

Of the total revenues mobilized, those of the general budget account for 96,8 per cent, those of the Special Accounts of the Treasury? 3,1 per cent and those of subsidiary budgets, 0,1 per cent.

Figure 1 : Contribution of each component of the State budget



Source: DGB

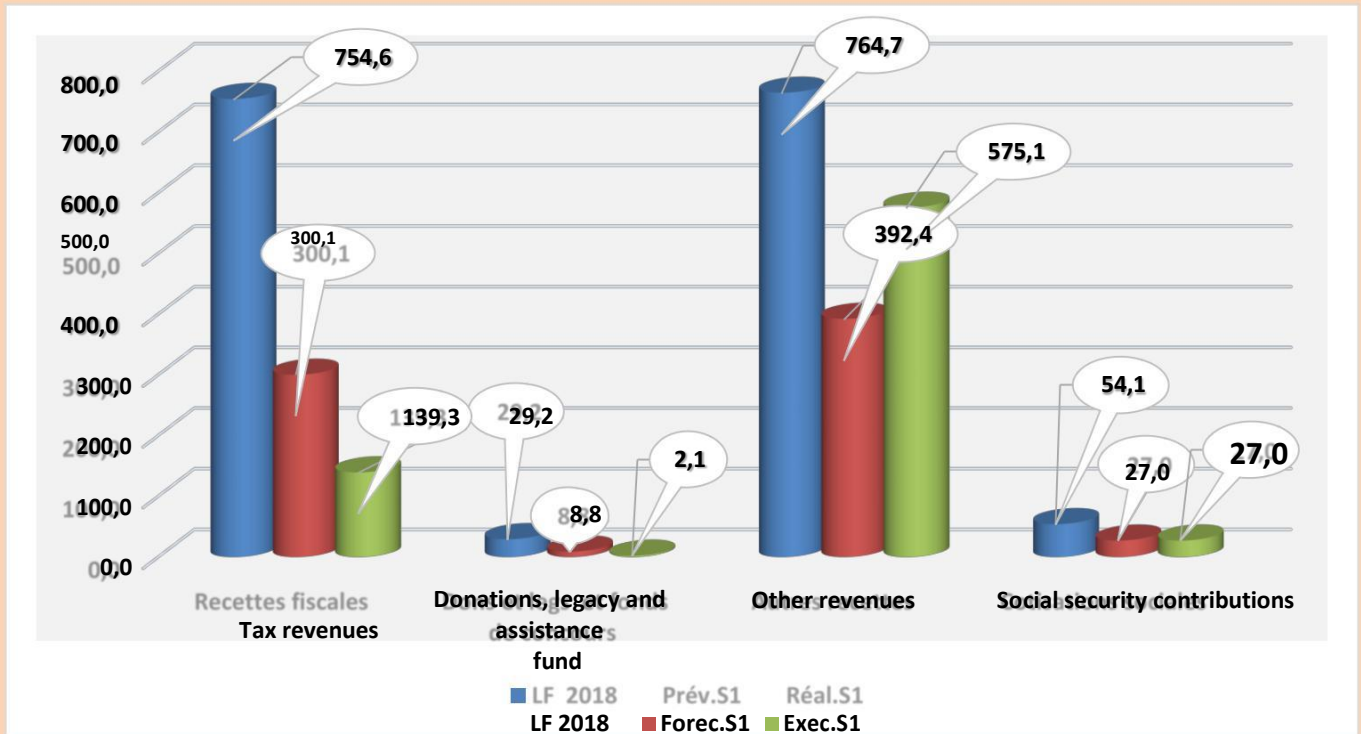
1.1.1 Fiscal revenues by title

These revenues are globally recovered at 908,4 billion FCFA for a projection of 1 522,6 billion FCFA, 56 per cent. They include:

- tax revenues recovered at 300,1 billion FCFA for an annual forecast of 754,6 billion FCFA, 39,8 per cent;
- donations, legacy and assistance fund, driven at 2,1 billion for an annual objective of 29,2 billion, 7,2 per cent;
- social security contributions executed at 27,0 billion on a parliamentary authorization of 54,119 billion, 49,9 per cent;
- other revenues executed at 579,2 billion for an annual objective of 756,0 billion FCFA, 76,6 per cent.

The figure below shows a synoptic picture of the execution of revenues.

Figure 2 : Balance sheet of fiscal revenue mobilization



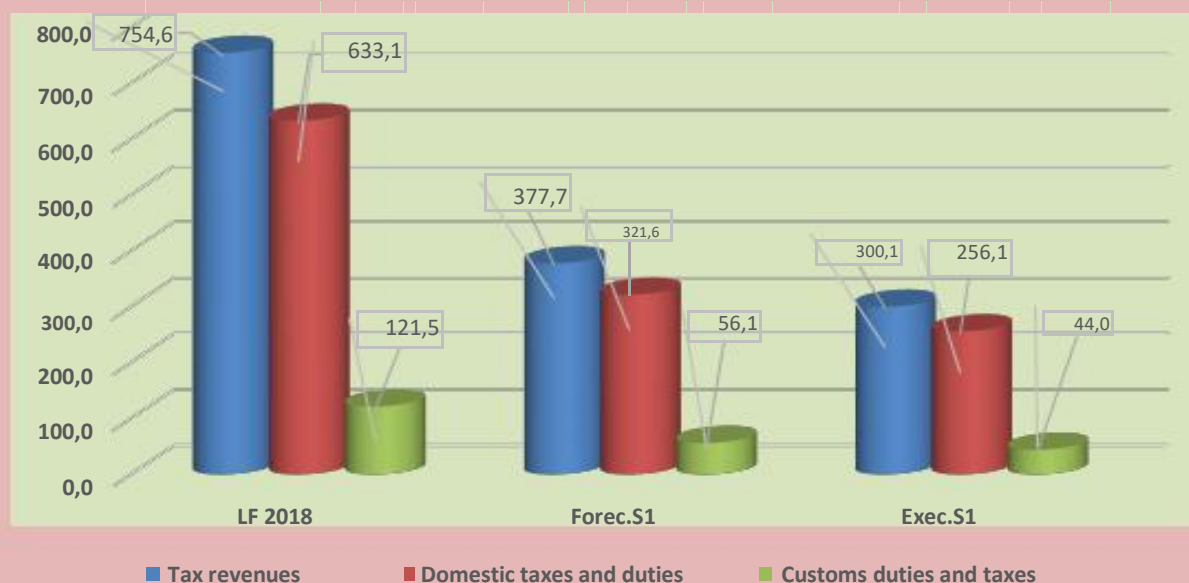
Source: DGB_DEP

1.1.2 Tax revenues

These revenues executed as of 30 June, amount to 301,1 billion FCFA, showing an execution rate of 39,8 per cent. The contribution by large mass is large is as follows:

- domestic taxes, recovered at 256,1 billion FCFA, showing a recovery rate of 40,5 per cent;
- indirect duties and taxes, executed at 44,0 billion, a recovery rate of 36,2 per cent.

Figure 3 : Execution of tax revenues as of 1st quarter



Source: DGB_DEP

a) Domestic taxes

On a half-yearly target of 321,6 billion FCFA, taxes recovered amounted to 256,1 billion FCFA, indicating an execution rate of 79,6 per cent. Comparing these revenues with those of 2017 at the same period, they are down 90,2 billion FCFA, 26,1 per cent. Below the half-yearly target of 20,4 per cent, the domestic tax situation reflects the effects of the non-oil sector's economic activity, which has been struggling to exit the recession since 2017.

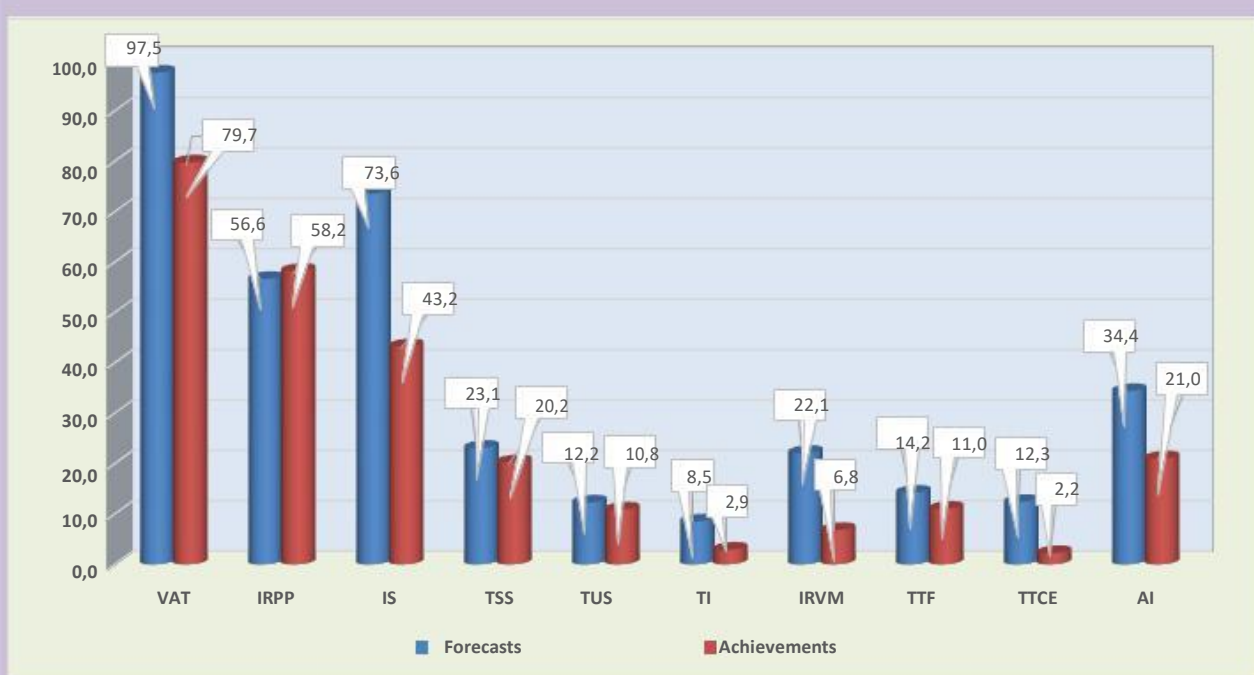
The breakdown by nature is as follows:

- value-added tax, related to the economic activity of the non-oil sector, is recovered at 79,7 billion FCFA against a forecast of 97,5 billion FCFA, an execution rate of 81,7 per cent. Compared to 2017, and at the same period, this execution is down 21,7;
- tax on income of natural persons, is mobilized at 58,2 billion FCFA, 102,8 per cent of the quarterly target which is 56,6 billion FCFA. Despite this performance, this level compared to June 2017 achievements, is down 2,5 per cent;
- corporate tax (IS), received at 58,7 per cent of semi-annual forecasts, they are estimated at 43,2 billion FCFA, down by more than 41,4 per cent compared to 2017;
- corporate special tax, collected at 20,2 billion FCFA, it represents 87,7 per cent of projections and are down 16,0 per cent compared to last year's achievements;
- wage tax, issued and received at 10,8 billion FCFA, an execution rate of 88,5 per cent, down from 10,1 in 2017;

- property tax, planned at 8,5 billion FCFA, mobilized at 2,9 billion FCFA, with a decline of 3,5 per cent compared to 2017 achievements;
- securities tax (IRVM), received at 6,8 billion FCFA for an authorization of 22,1 billion FCFA, 30,7 per cent. IRVM is also experiencing a negative change compared to 2017 of more than 68,3 per cent. This poor performance requires corrective actions ;
- transfers tax is recovered at 11,0 billion FCFA for a semi-annual target of 14,2 per cent. This level of realization does not escape the overall trend, it is down more than 24,6 per cent compared to last year ;
- tax on the electronic communication trafficking, planned at the end of June at 12,3 billion FCFA, it is recovered at 2,2 billion FCFA, 17,9 per cent. This low level of realization represents 2,9 per cent of the level reached in the same period last year.
- other taxes, received at 21,0 billion FCFA for a semi-annual objective of 34,4 per cent. The performance achieved for this tax category is down more than 37,9 compare to June 30, 2017, reflecting the extend of the crisis.

The following figure shows the realization of taxes by nature in the first quarter.

Figure 4 : Realization of taxes by nature as of 1st semester



Source: DGB_DEP

b) Customs duties and taxes

The target for customs revenue planned in the first half of the year, is 58 billion FCFA. The achievement is 44,0 billion FCFA, being 78,4 of the target. In 2017, in the same period, customs duties and indirect taxes reached 57,5 billion, 54,8 per cent of the semi-annual target.

The situation of customs revenue remains worrying given the half-yearly results, which do not deviate from the trend observed since the last decade, to affirm that it is not only dependent on the contraction of imports caused by the decline in the non-oil sector's economic activity, but also delays in the implementation of structural reforms, including exemptions.

As regards the latter case, while efforts are being made to reduce exceptional and investment-related exemptions, those related in the sector continue to affect customs performance. Indeed, they have long accounted for 80 per cent of the volume of tax expenditure. Under current circumstances, a renegotiation of oil contracts with the objective of reducing the weight of tax expenditure, should contribute to improving revenues from international trade taxes.

The table below illustrates the level of exemptions during the first half of the year.

Table 2: Tax exemptions in the first half of the year 2018 (in billion FCFA)

	January	February	March	April	May	June	Total as of 30 June		Variation in per cent
							2018	2017	
Exemptions due to oil sector	23,6	87,1	52,7	16,1	22,0	43,6	245,0	136,6	79,3 per cent
Regulatory exemptions	0,8	1,4	0,6	1,1	0,5	0,3	4,6	4,0	16,2 per cent
Exceptional exemptions	10,3	16,3	11,6	19,8	16,8	7,3	82,2	52,0	58,2 per cent
<i>State contribution to investment</i>	9,7	16,2	11,0	18,2	16,8	7,2	79,1	47,4	66,9 per cent
<i>Other exemptions</i>	0,6	0,1	0,6	1,6	0,0	0,2	3,1	4,6	-32,3 per cent
Total	34,7	104,8	64,9	36,9	39,3	51,2	331,8	192,6	72,3 per cent

Sources: DGID_DGDDI

1.1.3 Non-tax revenues

Non-tax revenue include (i) donations, (ii) social security contributions (iii) oil revenue, (iv) revenue of the State portfolio, (v) administrative fees and costs.

a) Donations

The semi-annual goal of donations amounted to 8,8 billion FCFA on a parliamentary authorization of 29,2 billion FCFA. The drawdowns, in the same proportions as in the first quarter, amounted to 2,1 billion FCFA, 23,9 per cent of the target at the end of June and 7,2 per cent of its forecasts at the end of December 2018 compared with 19,9 billion in 2017, amounting to 27,5 per cent of the half-yearly goal and 13 per cent of the annual target.

The ultimate concern set out in the March report is the issue of performance in drawing donations. In fact, despite the assurances given by ratified donation treaties and agreements, the mobilization of these resources remains problematic. In order to correct certain weaknesses noted at this level, grant management will need to be reframed and based on:

- the policy of coordination of official development assistance;
- the Paris Declaration on official development assistance;
- the international initiative for the transparency of official development assistance.

Beyond the issues of official development assistance policy, those relating to partner procedures related to the provision of funds, arise. These issues will need to be examined and deepened for a greater effectiveness in mobilization over the coming months.

b) Social security contributions

The trend observed in the first quarter is maintained at the end of June with 27,0 billion FCFA, 49,9 of the annual forecasts. The Integrated Public Finance Management System, which is in its development phase, has taken into account the section « "human resources" of the State employees under the HR-PAYROLL project, will facilitate automatic retirement.

c) Other receipts

Under the organic Law on Finance Laws in its section 13, other income include oil revenue, administrative fees and costs as well as portfolio revenue. They are realized at 579,2 billion FCFA FOR an annual forecast of 755,5 FCFA (75,7 per cent) with a semi-annual target of 392,4 billion FCFA. The performance achieved are globally linked to the good performance of oil prices in the international market.

■ **Oil revenue**

For a forecast of 749,2 billion FCFA, the petroleum revenue recorded, are at a level of 571,1 billion FCFA in the first half of 2018, 76,2 per cent. This level is well above that of last of last year at the same period, which amounted to 193,3 billion.

It should be noted that these revenues also include those allocated to the various oil commitments contained in the special agreements with oil companies, which until now were not included in the State budget. As mentioned earlier in the first quarter report, all levies at the expense of the Congolese State, carried out upstream on the various contracts, now include all oil revenue for their traceability

The normative part of the State, resulting from the sale of oil cargoes, gives the following information:

- Products of cargo sale by Congo National Petroleum Company (SNPC) mobilized at 388,5 billion FCFA;
- products from commercialization by other companies recovered at 173,8 billion FCFA.

This level obviously reflects the behaviour of the Brent barrel price internationally and more particularly that of Congolese crude oil sold at a set price above the tax price.

■ **Administrative fees and costs**

For an annual forecast of 12,2 billion FCFA and a half-yearly target of 6,1 billion FCFA, administrative fees and costs are recovered at 2,8 billion

FCFA, a rate of 45,9 per cent at the end of 2018. At the same in 2017, administrative fees and costs were realized at 4,08 billion FCFA, corresponding to a rate of 54,4 below of the goal set.

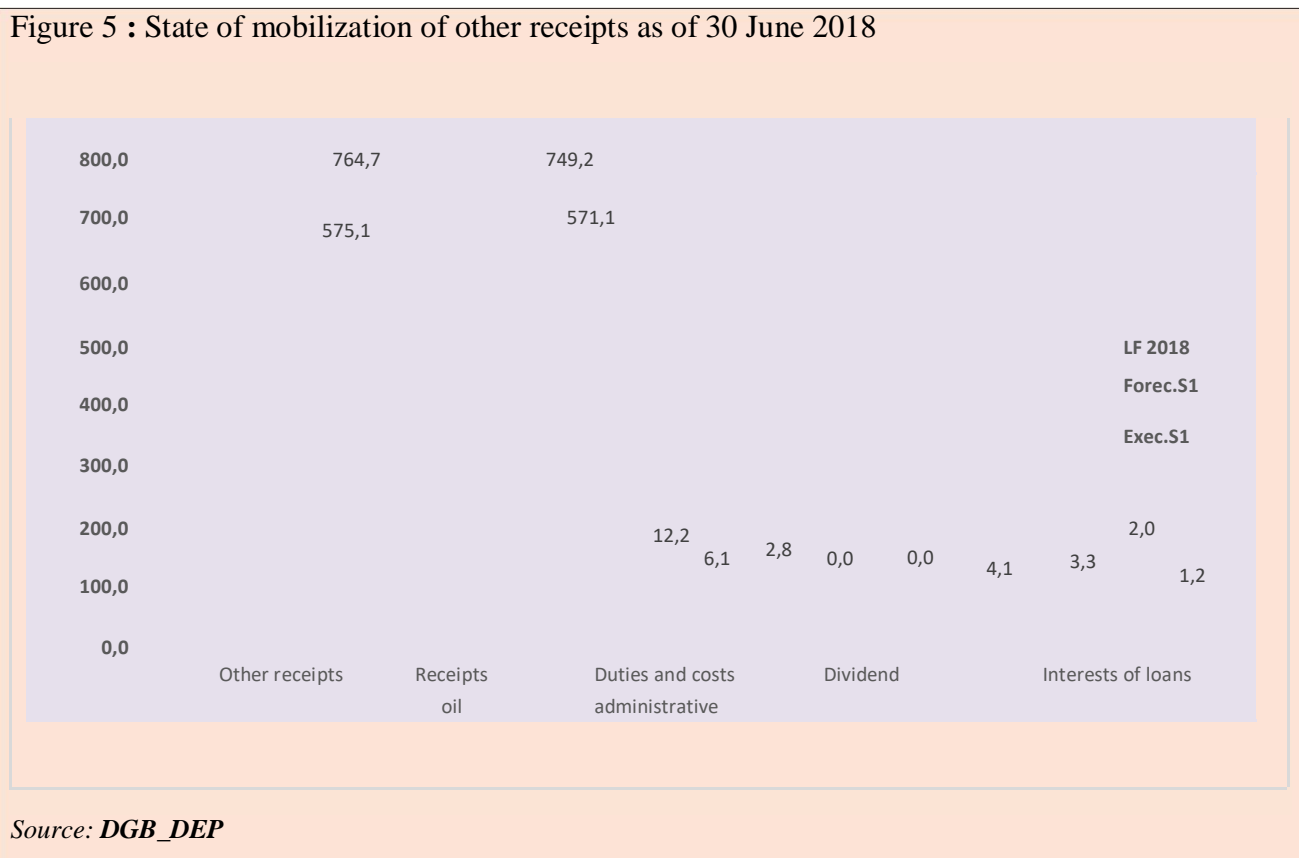
The result is recurring weaknesses especially since the achievements from year to year, difficult to reach the 50 per cent of the target, and this, formore than a decade.

The scenario thus described reflects the state of collapse of the small receipts, which challenges, at all levels, the main actors, administrations and auditors, with a view to redoubling efforts so that measures are urgently taken to secure these receipts.

■ **Portfolio revenue**

Planned at 3,3 billion FCFA, portfolio receipts, consisting mainly of loan interests and dividends, are recovered at 5,3 billion FCFA. This is partly a recovery of investment interest, including loan interests of 1,2 billion FCFA and partly of dividends received of 4,1 billion FCFA. In the second quarter, the forecast half-yearly target (1,65 billion) is reached, but is below that of 2017 which was 2,04 billion at the same period. More efforts to track and recover this type of revenue will have to be provided.

Figure 5 : State of mobilization of other receipts as of 30 June 2018



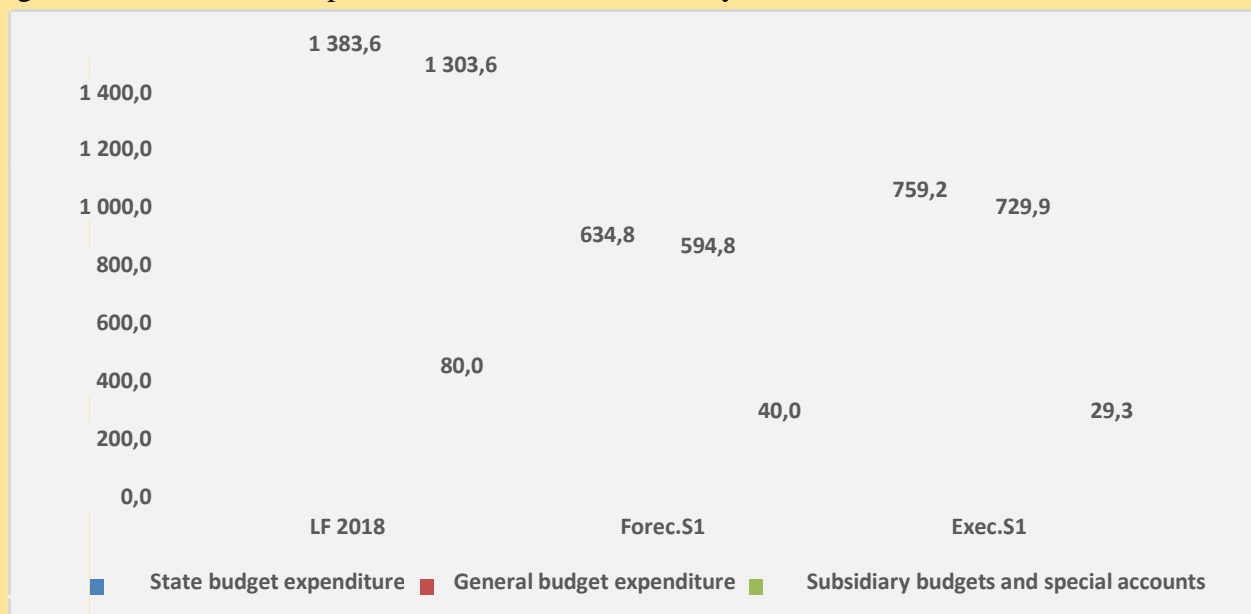
Source: DGB_DEP

1.2 Execution of budget expenditures

At the end of the second quarter 2018, the situation of the State budget execution, financial year 2018, shows an execution level of 759,2 billion FCFA, an execution rate of 54,9 per cent of the annual target, against 656,5 billion FCFA, 31,2 per cent of the forecasts a year earlier. This level of achievement is significant higher than the expected half-yearly expenditure target (634,8 billion FCFA) of 124,4 points. This level of achievement is explained by an increase in general budget expenditures, which amounted to 729,9 billion FCFA, 56,0 per cent. Expenditures related to subsidiary budgets and Special Accounts have been executed at 0, 873 million FCFA, 7,4 per cent and 28,5 billion FCFA, 41, 7 per cent respectively.

The figure below sums up the execution of the State budget during the first quarter.

Figure 6 : Execution of expenditures as of 1st half of the year



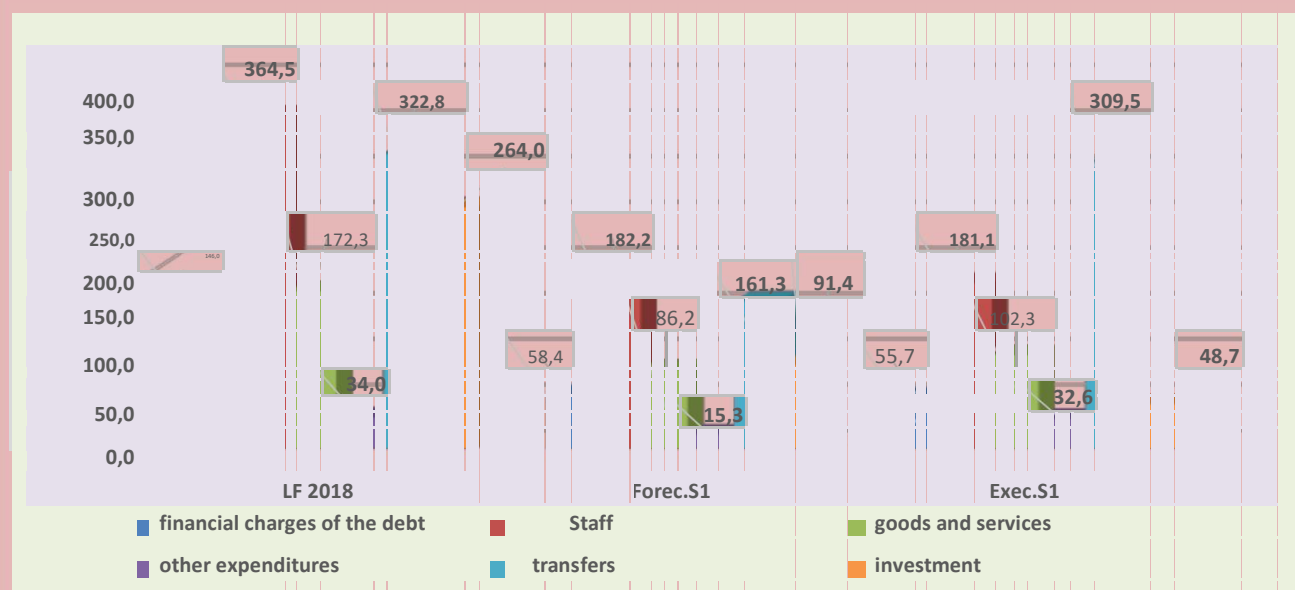
Source: DGB_DEP

1.1.1 General budget expenditure

Planned at 1 303,6 billion FCFA, general budget expenditures have been executed at 56,0 per cent of the annual forecasts as of June 2018, compared with a performance of 26, 7 as of June 2017. This behaviour of the execution of expenditure is linked to the good performance of oil revenues in relation to the rise in oil prices.

According to the great natures, the situation of expenditure execution is as follows:

Figure 7 : Execution by nature of expenditure as of 30 June 2018



Source: DGB_DEP

a) Financial charges of the debt

For an annual forecast of 146,0 billion FCFA, these charges, composed of interests on domestic and external debt, were budgeted for 38, 2 per cent of forecasts. This level is substantially the same as in 30 June of the last year (38,0 per cent). However, when the half-yearly target is taken into account, these expenditure are executed at 95,4 per cent. Financial charges of the external and domestic debt were paid respectively at 2,9 billion FCFA 29,6 per cent and 52,8 billion FCFA, 108,6 per cent.

b) Wages

At the end of June 2018, wages are mandated to the tune of 181,1 billion FCFA for a semi-annual forecast of 181, 3 billion FCFA, an execution rate of 99,4 per cent. This level of execution is lower than that of 2017 by 13,4 billion FCFA at the same period, a decrease of 6,9 per cent, in relation with retired State's employees on the one hand, and the implementation of precautionary measures taken by introducing a dual control of administrative acts with a financial impact, on the other.

The essential elements of wages are as follows:

- basic wages mandated at 129,9 billion FCFA;
- Allocations of duty executed at 26,2 billion FCFA;
- social security contributions ordered at 13,0 billion FCFA;
- Aen-of-career allocations executed at 1,1 billion FCFA.

c) Goods and services

This category of expenditure is part of the operational costs of the central administration. For semi-annual target of 86,2 billion FCFA, goods and services are mandated at 102,3 billion FCFA as of June 2018. They represent an execution rate of 59,4 per cent, of which 7,6 billion FCFA correspond to ordinances of four (4) months delegation of credits for a parliamentary authorization of 25,4 billion FCFA.

Compared to 2017 and at the same period (118,4 billion FCFA), these expenditure are experiencing a decrease absolute value of 16,0 billion FCFA, -13,5 per cent.

As of June, the execution of major positions of this economic nature, presents the following trends:

- purchase of goods mandated at 6,5 billion FCFA;
- general operating expenses ordered at 2,7 billion FCFA;
- service delivery executed at 3,1 billion FCFA
- mission and transport expenses mandated at 5,8 billion FCFA;
- unallocated expenses and allocations executed at 78,9 billion FCFA.

d) Transfers

The State as a central administration, grants subsidies to private, public or other organizations for the purpose of overcoming social, economic, educational and cultural distortions.

Set at 161,3 billion FCFA in the first half-year, transfers are executed at 309,5 billion FCFA as of 30 June 2018, corresponding to an achievement rate of 191,9 per cent. Compared with the same period in 2017, this level of execution is higher by, representing an increase rate of 82,9 per cent. It is mainly explained by the inclusion of the State's commitments in oil contracts for a total of 105,5 billion FCFA, not budgeted in 2018.

This category of expenditure gives in these positions, the following information:

- Expenditures on commitments arising from oil contracts, accrued at 105,5 billion FCFA;
- subsidies to public institutions executed at 36,1 billion FCFA;
- subsidies to local authorities mandated at 5,1 billion FCFA;
- contribution to inter-State bodies and international organizations ordered at à 3,5 billion FCFA;
- transfers to households, mandated at 7,6 billion FCFA.

e) Other expenses (common charges)

Other expenses, consisting mainly of public consumption, are carried out at 32,6 billion FCFA as of 30 June 2018, for an annual forecast of 34,0 billion FCFA, an execution rate of 95,9 per cent. This level of execution is higher than that of 2017 at the same period (87,6 per cent).

The execution of the credits of some positions of other charges is as follows:

- litigation expenses mandated at 0,2 billion FCFA;
- civil liability costs of the State ordered at 0,6 billion FCFA;
- allocation for possible and unplanned expenditure executed at 27,2 billion FCFA;
- fees and stamps realized at 1,6 billion FCFA.

It shows that allocations for possible expenditures represent 83,4 per cent of the credits used in the first half of the year.

f) Capital expenditure

As of 30 June, these expenditures are executed at 48,7 billion FCFA, for an annual forecast of 264,0 billion FCFA, 18,4 per cent of realization against 9,7 per cent at the same period in 2017. Capital expenditure on own resources, were executed at the end of June 2018 at 26,6 billion FCFA, and in external resources at 22,1 billion FCFA, a semi-annual rate of 53,3 per cent.

Compared to June 30, 2017, the execution rate of capital expenditure on own resources in 2018 (20,4 per cent) has dropped by 17,5 per cent. This level of execution is not only attributable to the low mobilization of domestic revenues, but also to the weaknesses in the functioning of the cells of markets of all the Ministries.

However, the execution of investments on external resources in 2018 (16,6 per cent), is higher than that of 2017 at the same period, resulting largely from drawdowns on project loans, which amount to 20 billion FCFA.

At the end of the first half of 2018, major positions of this expenditure shows the following trends:

- intangible assets executed at 32,6 billion FCFA;
- roads and networks, realized at 12,1 billion FCFA;
- administrative buildings allocated to public sector, ordered at 1,8 billion FCFA.

1.1.2 Expenditure of subsidiary budgets

In the first half-yearly, expenditure for seven (07) subsidiary budgets opened by the finance law 2018, are executed at 0,9 billion FCFA for an annual forecast of 11,7 billion FCFA, corresponding to an execution rate of 7,4 per cent, compared to 32 per cent in 2017 at the same period. As these are in principle balanced, their expenses generally depend on the level of the recovery achieved. It should be noted that these subsidiary budgets are in real difficulties, reflecting a decline in their activities. For this purpose,

the Government is continuing to implement these reforms already undertaken to establish an effective policy to revitalize the latter.

1.1.3 Expenditure of special accounts of the treasury (CST)

In the first half, CST's spending are executed at 28,5 FCFA, an achievement rate of 41,7 compared with 31,9 per cent a year earlier in the same period. These are mainly expenses relating "pension fund" including contributions from employer and worker shares amounting to 18,2 and 8,6 billion FCFA, on the one hand and those related to CST "Urbanization of information systems of financial departments" amounting to 0,3 billion FCFA, on the other.

For their effectiveness, the management of CST is equally subject to budget reforms currently undertaken by the Government.

1.1.4 Expenditures by socioeconomic destination

Pursuant to decree establishing the fiscal nomenclature of the State, functional classification has ten main functions for budget expenditures, namely: 01 general services of public administrations; 02 defence; 03 public order and security; 04 economic affairs; 05 environmental protection; 06 collective housing and equipments; 07 health; 08 leisure, culture and worship; 09 teaching; 10 social protection.

Table 3: Execution of expenditure by socioeconomic destination

	<i>(In billion FCFA</i>			
	Forecasts		Execution	
	Amount	%	Amount	% (*)
General services of public administrations	428,9	31,00	295,3	68,8%
Defence	166,9	12,06	105,3	63,1%
Public order and security	61,8	4,47	25,6	41,4%
Economic affairs	147,5	10,66	154,4	104,7 per cent
Environmental protection	6,0	0,43	0,5	7,9%
Collective housing and equipments	64,6	4,67	7,3	11,3%
Health	147,9	10,69	39,0	26,4%
Leisure, culture and worship	28,6	2,07	12,4	43,3%
Teaching	227,2	16,42	85,2	37,5%
Social protection	104,2	7,53	34,3	32,9 per cent
Total	1383,6	100,00	759,2	54,9 per cent

(*) per cent of execution compared to

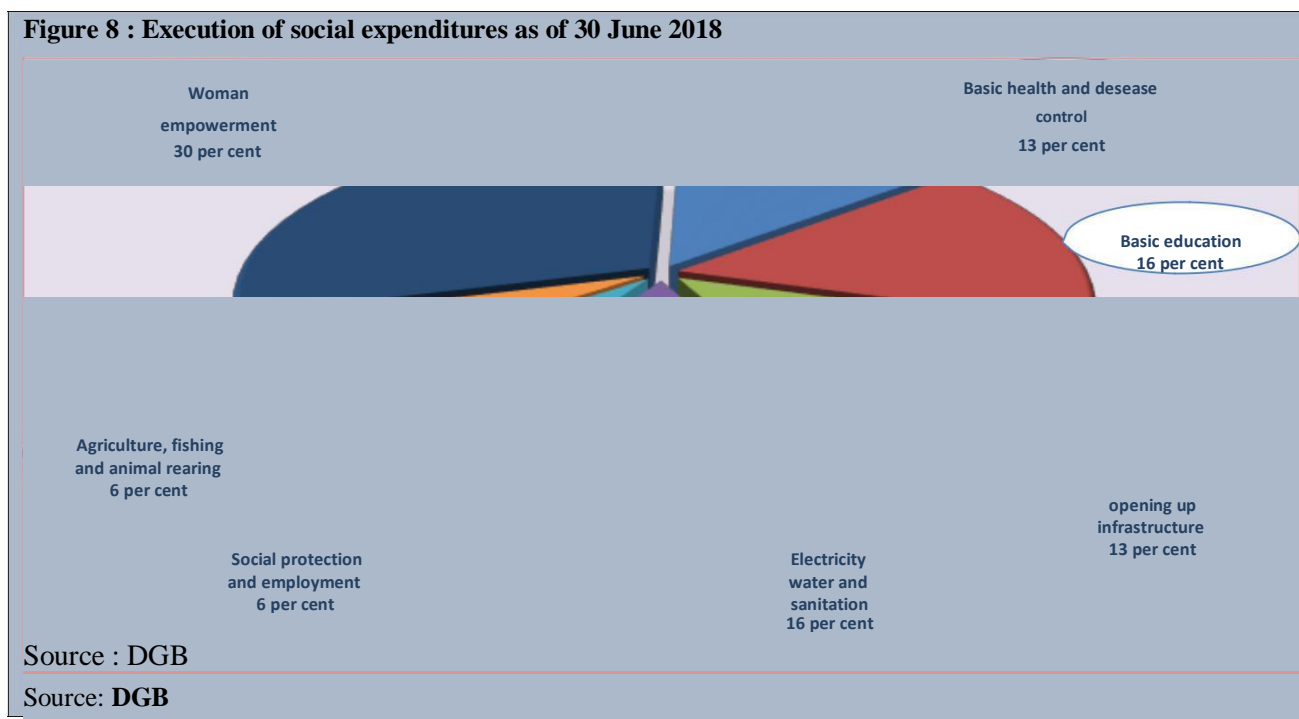
forecasts Source: DGB

As of June 2018, State expenditures following the functional, are more oriented toward « economic affairs" (104,7 per cent), these expenditures are largely the result of State subsidies to CORAF. The "general services of administrations" function (68,8 per cent), is the second priority for State expenditure. The "defence" function represents the third priority with 63 per cent, mainly driven by the functioning of the military administration in the expenditure of goods and services representing an execution

rate of 73,9 per cent. The leisure, culture and worship function comes in fourth place (43 per cent), these expenditures mainly concern the organization of sports events in transfer expenses. "Public order and security" occupies the fifth position representing an execution rate of 41,4 per cent, this rate is attributable to the operation of police administration. The "teaching" function represents 37,5 per cent. The other functions representing 25,1 per cent of execution, are driven by socioeconomic destination "social protection" (32,9 per cent).

1.1.4.1 Execution of social expenditures as of 30 June 2018

Social expenditures are executed at 56,5 billion FCFA for a projected envelope of 277,9 billion FCFA, a rate of 20,3 per cent. This rate is mainly driven by actions related to the basic health and disease control sector, corresponding to a rate of 42,93 per cent.



a) Social expenditure by nature

The execution of social expenditures as of 30 June 2018 shows the following global trend:

- goods and services expenditures are executed at 1,2 billion FCFA out of a total of 19,1 billion FCFA, an execution rate of 6,45 per cent;
- the level of execution of social expenditures in a transfer forecast budget of 101,3 billion FCFA amounts to 35,8 billion FCFA corresponding to an execution rate of 35,3 per cent.

- the social expenditure investment component is poorly executed at 19,5 billion FCFA, 12,4 per cent of forecasts valued at 157,4 billion FCFA. Social expenditure funded on own resources are executed at 10,0 billion FCFA for a projected budget of 87,3 billion FCFA, a proportion of 11,57 per cent. As for those funded on external resources, they are mobilized at 9,5 billion FCFA for a forecast of 70,1 billion FCFA, a rate of 13,4 per cent. The level of mobilization of these resources is influenced by loans amounting to 8,0 billion FCFA, corresponding to 84,7 per cent. Despite this low level of mobilization of donations (15,3 per cent), HIPC funds are mobilized at 1,4 billion FCFA for a forecast budget of 2,4 billion F, a rate of 58,76 per cent.

b) Social expenditures by sector

The sectoral execution of social expenditures is summarized as follows:

- **Basic health and disease control**

The level of execution of this sector amounts to 24,0 billion FCFA for a budget of 118,5 billion FCFA, a proportion of 20 per cent. This level of execution is mainly driven by the revival of health districts, 75,4 per cent.

The execution by action in this sector is as follows:

- *Acquisition and management programme for essential and generic drugs.*

For an annual forecast of 14,7 billion FCFA, this programme has a very low level of execution of 0,6 billion FCFA, a rate of 4,1 per cent.

- *Free AIDS drugs programme, biological and reactive monitoring*

The level of execution of this programme is 2,5 billion FCFA for a forecast budget of 19,7 billion FCFA, a rate of 12,7 per cent.

- *AIDS education and outreach campaign*

This action shows a very low level of execution of 6,6 per cent, 0,1 billion FCFA for a forecast of 1,5 billion FCFA.

- *Programme to fight against malaria and other diseases*

forecast for an amount of 4,8 billion FCFA, this programme has a very low level of execution of 0,1 billion FCFA, 2,1 per cent.

- ***Expanded immunization programme***

This programme is executed at 1,6 billion FCFA for a forecast budget of 7,8 billion FCFA, a rate of 20,5 per cent.

- ***Free caesarean programme***

Forecast at 3,8 billion FCFA, the expenditures of this programme are not executed to date.

- ***Programme to fight against tuberculosis***

The expenditures forecast to fight against tuberculosis are executed at 0,1 billion FCFA for a budget of 1,1 billion FCFA, a rate of 9,1 per cent.

- ***Non-communicable diseases control programme, tripanosomiasis and onchocercosis.***

This programme has a very low level of execution of 1,8 billion FCFA for a forecast of 89,0 billion FCFA, a proportion of 2,0 per cent.

- ***Revival of health districts***

Expenditures related to this programme are executed at 18,0 billion FCFA for a forecast budget of 53,7 billion FCFA, a proportion of 33,5 per cent.

- ***Construction and rehabilitation of basic and general hospitals as well as health centres in cities and rural centres***

The level of expenditures executed is 0,8 billion FCFA for a budget of 11,0 billion FCFA, a proportion of 7,3 per cent.

- ***Woman and teenager health***

The implementation of this programme financed by FNUAPF, like most of them, is still slow to start. All the necessary steps will be taken to fulfill the conditions of its execution.

■ **Basic education :**

The level of execution of this sector is 7,6 billion FCFA for a budget of 31,2 billion FCFA, 24,4 per cent. This execution is largely influenced by school canteine programmes, 50,3 per cent. The execution by action of this sector is as follows:

- ***Construction and rehabilitation of school buildings***

For a forecast budget of 9,8 billion FCFA, this programme has a very low level of execution of 0,2 billion FCFA, a rate of 2,0 per cent.

- ***Free school supplies, texbooks, tuition fees and educational materials***

FOrecast at 14,1 billion FCFA, the level of execution of the expenditures of this programme is 3,5 billion FCFA, a rate of 25,0 per cent.

- ***School canteine Programme***

The level of execution of expenditures of this programme is 3,8 billion FCFA out of 7,3 billion FCFA projected, a rate of 52,25 per cent.

■ **Upening up infrastructure**

The level of execution of the expenditures of this sector is 1,6 billion FCFA out of 8,1 billion FCFA projected, corresponding to an execution rate of 12,3 per cent. This execution is marked mainly by actions related to the construction and renovation of rural and agricultural roads through the Programme of agricultural development and rural road renovation. The execution by action is as follows:

- ***Construction and renovation of rural roads***

Forecast at 6,4 billion FCFA, the expenditures of this programme have a level of execution of 1,6 billionF, 25,3 per cent.

- ***Maintainance of rivers, dredging and tagging***

For an estimated envelope of 1,3 billion FCFA, this action is still not executed.

- *Community projects and revival of the village fabric*

For a forecast of 0,4 billion FCFA, expenditures related to this action are still not executed.



Electricity, water, sanitation

The level of execution of this sector is 11,3 billion FCFA for an estimated envelope of 70,0 billion FCFA, a rate of 16,1 per cent.

The execution by action is as follows:

- *"water for all" Programme*

Estimated at 30,6 billion FCFA, the expenditures of this programme "water for all" have a level of execution of 5,6 billion FCFA, a rate of 18,3 per cent.

- *Construction of electrical works for people's access to energy*

This programme shows a level of execution of 0,8 billion for an estimation of 28,1 billion FCFA, a rate of 2,8 per cent.

- *Sanitation of cities*

Expenditures related to the sanitation of cities present a level of execution of 4,9 billion FCFA for an estimated envelope of 11,3 billion FCFA, a rate 43,4 per cent.



Social protection and employment:

For a forecast of 35,8 billion FCFA, the expenditures of this sector stand at 1,9 billion FCFA, 5,3 per cent. The execution by action is as follows:

- *Charitable actions and social assistance*

Estimated at 370,7 million FCFA, expenditures related to charitable actions and social assistance are executed at 8,1 million FCFA, a rate of 2,2 per cent.

- *Social and economic integration/reintegration of disabled persons and minorities*

The expenditures of this programme "social and economic integration/reintegration of disabled persons and minorities" are executed at 0,1 billion FCFA for an envelope of 0,4 billion FCFA, a rate of 33,3 per cent.

- ***Care for vulnerable persons and street children***

Forecast at 31,6 billion, expenditures related to this action had a level of execution of 1,8 billion FCFA, 5,7 per cent.

- ***Self-employment and training to small occupations***

Forecast at 4,5 billion FCFA, this programme completes the list of those which have not yet experienced a start of implementation of terms of funding.

- ***Implementation of universal health insurance***

As the conditions are not fully met, the implementation of the health insurance is not yet effective. Expenditures forecast for this purpose are not executed.

- **Agriculture, fishing and rearing:**

Forecast at 11,4 billion FCFA, the execution of expenditures of this sector is 1,0 billion FCFA, 8,7 per cent. The detailed execution of this sector is as follows:

- ***Market gardening programme in urban and rural centres***

The expenditures of this programme has a level of execution of 0,1 billion FCFA for a forecast envelope of 7,8 billion FCFA, corresponding to 1,3 per cent.

- ***Improved seed distribution Programme***

Forecast at 0,3 billion FCFA, expenditures related to this programme have a level of execution of 0,3 billion FCFA, 37,5 per cent.

- ***Programme for extension and demonstration of agricultural techniques***

The level of execution of the expenditures of this programme amounts to 0,4 billion FCFA for a projection of 1,3 billion FCFA, a rate of 30,7 per cent.

- ***Breeding techniques demonstration programme***

Forecast at 1,5 billion FCFA, the level of execution of the expenditures of this programme is 181,5 million FCFA, 12,2 per cent.

- ***Cattle sharecropping programme***

The level of execution of the expenditures of this programme is 34,0 million FCFA for forecast envelope of 0,1 billion FCFA, a rate of 26,6 per cent.



Woman empowerment

This sector has a level of execution of 1,3 billion FCFA for a budget of 2,9 billion FCFA, an execution rate of 44,8 per cent, driven by investment expenditures which represent 7,7 per cent. The execution by action is as follows:

- ***Gender issue***

Forecast at 2,0 billion FCFA, expenditures related to gender issues, have reached an execution level of 1,0 billion FCFA, 50,0 per cent.

- ***Self-employment and training for small professions through income-generating activities for the benefit of women and young mothers***

For a forecast of 0,9 billion FCFA, expenditures related to this programme have a level of execution of 0,3 billion FCFA, 33,3 per cent.

The analysis focuses on three fiscal balances to assess Government's efforts to maintain fiscal sustainability, namely, the overall fiscal balance, the basic primary balance and the non-oil basic primary balance. It should be noted that some data from the first quarter are updated to take into account all the levies, at the expense of the State, carried out upstream as part of oil contracts.

2.1. Overall fiscal balance

The overall fiscal balance improved from 129,4 billion FCFA in the first quarter, to 149,4 billion FCFA three month later. At the same period in 2017, there was a fiscal deficit of 195,0 billion. This surplus fiscal balance in the first half-year, obviously reflects the positive effects induced by the oil sector's activity, on fiscal revenues, however, below the half-year target set at 171,1 billion FCFA.

2.2. Basic primary balance

The basic primary balance is in the same range as the overall balance in the first half-year. This balance reached 165,0 billion FCFA in the first quarter and 224,9 billion at the end of June (96 per cent), alongside the projected target of 259,9 billion quarterly. At the same period in 2017, this balance had a deficit of 59,0 billion.

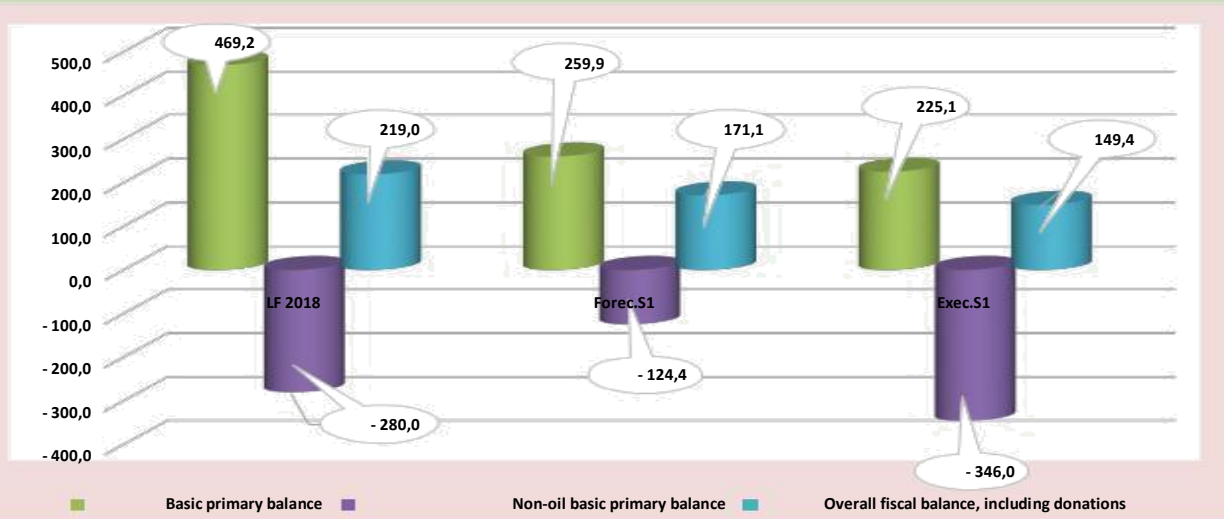
2.3. Non-oil basic primary balance

The coverage of charges from tax revenues, allows to base the analysis on a healthier basis than with oil revenues, often exposed to external shocks. This balance, which has the merit of testing fiscal sustainability without oil revenues, measures the resilience of public finance and the risks they incur. On a deficit balance target of 62,7 billion FCFA, the latter is still very far, with a revised deficit

à 119,9 billion FCFA in the first quarter and 346,0 billion FCFA in the first half-year.

With a view to maintaining the barrel price of the congolese crude oil at a higher level à to that of the price adopted in the Finance Law, a favourable level of balances is expected despite the poor performance of tax revenues.

Figure 7: Fiscal balances



Source: DGB_DEP

Under no circumstances may the surplus fiscal balances examined be used to assess fiscal sustainability in general and public financial management in particular if the cashb and financing aspects are not examined.

The resources expected in financing and related expenses give an idea of the evolution of the balance and options that the Government can take to solve the problems that arise.

The financing situation stands at 49,5 FCFA. It concerns project loans, repayment of loans granted by the State and facilities granted in the banking system.

3.1. External financing situation

3.1.1.1 Project loans

The 2018 finance law provides for financing of 104,0 billion FCFA for loans to execute projects. In the first half-year, the draws reached 20,0 billion FCFA, or 19,2 per cent.

3.1.1.2 Resources expected from partners

Similar to the situation in the first quarter, the contributions of technical development partners, including the World Bank, ADB and many others, are lagging. These contributions are linked to the signing of a programme with the International Monetary Fund.

3.1.1.3 Redemption of the external debt

This is the heavy case which alone accounts for just over 60 per cent of cash costs. Out of a target of 286,9 billion FCFA, at the end of June, the debt is depreciated at 31,2 per cent. This led to an accumulation of arrears of 197,5 billion FCFA on depreciations due in the first half of the year.

3.2. Situation of foreign financing

3.1.1.4 Repayment of loans granted by the State

In the first quarter, there is 5,0 billion FCFA of resource for depreciation of loans granted by the State to other countries and to various organizations.

3.1.1.5 Contribution of the bank system

The Government's net position is debiting the bank system of 24,5 billion FCFA as of June 2018. This is explained by the cash requirements of the State for the coverage of cash costs.

3.1.1.6 Reduction of domestic debt arrears

Pending the results of the audit of the domestic debt, it is reduced in the first half-year of 9,7 per cent of its stock. This includes, but is not limited to, the payment of arrears in previous years.

3.3. Cash and financing balance

The need for financing remains, despite the improvement in oil revenue in the first half of 2018. The balance which had reached -37, billion FCFA in the first quarter, has deteriorated by -223,4 billion FCFA to stand at -261,2 billion FCFA. The level of the balance obtained is obviously in line with arrears of the accumulated depreciations of the debt in general, due to the lack of foreign financing expected as part of the budget support and specific contributions related to the execution of the public debt restructuring strategy.

Table 4: Cash and financing situation

NATURE OF RECEIPTS AND SPENDING	FORECASTS 2018	first half-year			% exec/forec. bud
		Forec	Exec.	per cent half.y	
NET FOREIGN	-778,9	-311,5	-585,1	187,83	75,12
FINANCING	-403,7	-181,5	-467,6	257,63	115,83
Project loans (external resources allocated)	104,2	30,4	20,0	65,79	19,19
Depreciations due	-603,9	-286,9	-487,6	169,95	80,74
Other (foreign deposits)	96,0	75,0	0,0		0,00
NET DOMESTIC	-375,2	-130,0	-117,5	90,38	31,32
Net bank system	-246,7	-130,0	24,5	-18,85	-9,93
Non-banking	-128,5	0,0	-142,0	0,00	110,51
exceptional oil receipts	0,0	0,0	0,0	0,00	0,00
Proceeds of CMLT loans	0,0	0,0	0,0	0,00	0,00
Issue and sale of bonds and treasury bills	0,0	0,0	0,0	0,00	0,00
Repayment of loans and advances granted	0,0	0,0	5,0	0,00	0,00
Repayment debenture bonds	0,0	0,0	0,0	0,00	0,00
Repayment foreign debt	-128,5	0,0	-147,0	0,00	114,40
GLOBAL FINANCING GAP	-559,9	-140,4	-261,2	186,04	46,65

Source: CCA DEP

APPENDIX

TABLE OF FINANCIAL TRANSACTIONS OF THE STATE AS OF FIRST HALF-YEAR

NATURE OF RECEIPTS AND SPENDING	FORECASTS 2018	first half-year		per cent half.y	per cent exec/forec. bud
		Forec	Exec.		
I.- BUDGET OF THE STATE	1 602,6	805,9	908,4	112,72	56,68
I.1- Budgetary resources	1 602,6	805,9	908,4	112,72	56,68
Tax revenues	754,6	377,7	300,1	79,45	39,77
Domestic taxes and duties	633,1	321,6	256,1	79,63	40,45
Customs duties and taxes	121,5	56,1	44,0	78,43	36,21
Donations, legacy and assistance fund	29,2	8,8	2,1	23,86	7,19
Donations and legacy	29,2	8,8	2,1	23,86	7,19
Other revenues	764,7	392,4	579,2	147,60	75,74
sale of cargoes	659,7	335,0	388,5	115,97	58,89
Marketing products (oil taxation)	81,5	41,3	173,8	420,82	213,25
Oil bonus	8,0	8,0	1,1	13,75	13,75
Other	0,0	0,0	7,7	0,00	0,00
Administrative fees and costs	12,2	6,1	2,8	45,90	22,95
Interests of loans	3,3	2,0	1,2	60,00	36,36
Dividends	0,0	0,0	4,1	0,00	0,00
Social security contributions	54,1	27,0	27,0	100,00	49,91
II.- Budgetary expenditures	1 383,6	634,8	759,0	119,57	54,86
II.1 Operating spending	1 039,6	503,4	681,2	135,32	65,53
Staff	364,5	182,2	181,1	99,40	49,68
Other operating spending	675,1	321,2	500,1	155,70	74,08
goods and services	172,3	86,2	102,3	118,68	59,37
other expenditures	34,0	15,3	32,6	213,07	95,88
transfers	322,8	161,3	309,5	191,88	95,88
Usual transfers	295,9	147,9	305,6	206,63	103,28
Local authorities	26,9	13,4	3,9	29,10	14,50
financial costs of the debt	146,0	58,4	55,7	95,38	38,15
Interests of the domestic debt	24,5	9,8	2,9	29,59	11,84
Interests of foreign debt	121,5	48,6	52,8	108,64	43,46
II.2.investment	264,0	91,4	48,7	53,28	18,45
on internal resources	130,6	52,2	26,6	50,96	20,37
on external resources	133,4	39,2	22,1	56,38	16,57
III.- SUBSIDIARY BUDGETS AND SPECIAL ACCOUNTS OF THE TREASURY	80,0	40,0	29,1	72,75	36,38
Primary balance	365,0	229,5	205,1	89,37	56,19
Non-oil primary balance	-384,2	-154,8	-366,0	236,43	95,26
Basic primary balance	469,2	259,9	225,1	86,61	47,98
Non-oil basic primary balance	-280,0	-124,4	-346,0	278,14	123,57
Global fiscal balance, including donations	219,0	171,1	149,4	87,32	68,22
Global fiscal balance, excluding donations	189,8	162,3	147,3	90,76	77,61
Non oil global fiscal balance	-530,2	-213,2	-421,7	197,80	79,54
NET VARIATION OF ARREARS	0,0	0,0	174,5	0,00	0,00
- Variation of external arrears	0,0	0,0	197,5	0,00	0,00
- Accumulation of external arrears	0,0	0,0	197,5	0,00	0,00
- Reduction of external arrears	0,0	0,0	0,0	0,00	0,00
- Variation of internal arrears	0,0	0,0	-23,0	0,00	0,00
- Accumulation of internal arrears	0,0	0,0	0,0	0,00	0,00
- Reduction of internal arrears	0,0	0,0	-23,0	0,00	0,00
BASIC FUND BALANCE	219,0	171,1	323,9	189,30	147,90
IV.- FINANCING	-778,9	-311,5	-585,1	187,83	75,12
IV.1- NET EXTERNAL	-403,7	-181,5	-467,6	257,63	115,83
Project loans (external resources allocated)	104,2	30,4	20,0	65,79	19,19
Depreciations due	-603,9	-286,9	-487,6	169,95	80,74
Other (foreign deposits)	96,0	75,0	0,0	0,00	0,00
IV.2- NET INTERNAL	-375,2	-130,0	-117,5	90,38	31,32
Net bank system	-246,7	-130,0	24,5	-18,85	-9,93
Non-banking	-128,5	0,0	-142,0	0,00	110,51
exceptional oil receipts	0,0	0,0	0,0	0,00	0,00
Proceeds of CMLT loans	0,0	0,0	0,0	0,00	0,00
Issue and sale of bonds and treasury bills	0,0	0,0	0,0	0,00	0,00
Repayment of loans and advances granted	0,0	0,0	5,0	0,00	0,00
Repayment of debenture bonds	0,0	0,0	0,0	0,00	0,00
Repayment foreign debt	-128,5	0,0	-147,0	0,00	114,40
GLOBAL FINANCING GAP	-559,9	-140,4	-261,2	186,04	46,65