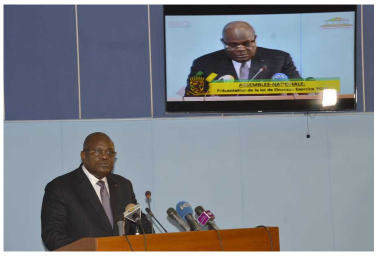
Speech by Minister Calixte Nganongo on the occasion of the presentation of the 2018 budget



JAN 06, 2018

Honorable Speaker of the National Assembly,

Honorable members of the Bureau of the National Assembly,

Honorable members,

Ladies and gentlemen,

Last December, the so-called "budgetary" session of your chamber was closed, without the main document, namely the draft budget law for the financial year 2018, which justified its opening, being deposited by the Government. The late filing of the draft budget of fiscal year 2018, the Government of the Republic agrees with you, is experienced as non-compliance with the provisions of Article 152 of the Constitution, which provides that the draft budget law is deposited in Parliament one week before the opening of the October session. This delay is justified by the need to have a joint macroeconomic framework with the services of the International Monetary Fund (IMF), with a view to concluding an

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The draft budget law of the year 2018, which I have the honor to present to you today on behalf of the Government, has therefore taken into account the main conclusions reached during the last mission of the IMF.

Honorable Speaker of the National Assembly,

Honorable members of the Bureau of the National Assembly,

Honorable members,

Ladies and gentlemen

My intervention focuses on five points:

1. the international and national context in which this bill of finance was drafted;
2. the direction of fiscal policy;
3. the main objectives of this budget bill;
4. the presentation of the budget in large masses;
5. the problem of financing this budget.

1. **From the international and national economic context**

1. **International context**

The draft budget law, is prepared in a context marked internationally by the generalization of the acceleration of global growth expected in 2017, although it remains shy in many advanced countries.

4.2% in 2017.

The **US growth** in 2018 would amount to **2.3%** against **2.2%** in 2017, despite the weakening of the growth in total factor productivity.

In the **euro area** , growth would decline by **0.2** in 2018, reaching **1.9%** compared to **2.1%** in 2017, due to an expected slowdown in German growth of **0.2%** and Italy of **0.4** .

The **emerging and developing** Asia remain the engines of global growth, with stable growth of around **6.5%** from 2016 levels, which is also planned for 2018. The growth acceleration **Indian** , with **7.4 %** expected in 2018 compared to **6.7%** in 2017, would offset the slowdown in **China's** growth from **6.8%** in 2017 to **6.5%** in 2018.

In 2018, **sub-Saharan Africa's** activity is expected to return to its 2015 level (**3.4%),** after the sharp drop recorded in 2016 **(1.4%)** and the expected recovery in 2017 **(2.6%).**

In the **CEMAC zone** , growth is struggling to take off because of the scale of the shocks that the oil-producing states in this zone have experienced in recent years, and the delay in implementing measures aimed at the elimination of macroeconomic imbalances and fiscal sustainability. **The growth** of the CEMAC countries revised in 2017 to **0.5%** should remain timid in 2018 to **1.6%.**

1. **National context**

Trade with the rest of the world is expected to be marked in 2018 by a slight surplus current account, which represents **1.2%** of GDP against **-13.4%** and **-7.4%** respectively in 2017 and 2016, as well as persistence of the capital account deficit and financial transactions.

The **monetary situation** in 2018 would be characterized by:

- of **net foreign assets** increased by **9.7%** of GDP;
- a decline in **net domestic credit** of **7.7%** ;
- an increase in **credit to the economy** of **2.3%** ;
- an increase in the money supply of **14%** .

In terms of **public finances** , the cautious management of public spending and renewed economic growth in 2018 would be reflected in the budget by an improvement in the **non-oil primary balance** which would be **-6.4%** of overall GDP against **-23, 4%** in 2017 and - **24%** a year ago. The primary balance would be positive after more than four years of deficit, it would represent **7.1%** of global GDP. The level of amortization of foreign debt due this year has increased considerably to **604 billion CFA francs.** in 2018. This situation requires an effective debt management strategy because of its high level, which today poses the problem of its sustainability.

1. **From the orientation of fiscal policy**

The negotiations with the IMF show that the Congolese economy continues to be affected by the drop in the oil price, despite the measures taken by the government since 2015 to reduce imbalances sustainability of the debt. medium term and the implementation of the program of society of the President of the Republic, "the march towards development".

It is also part of the wider framework of the regional economic and financial reform program (PREF-CEMAC), which is supposed to restore the external stability of the CEMAC zone and lay the foundations for sustained, sustainable and inclusive growth.

This policy will be anchored on the objective of reducing the non-oil primary deficit, which aims to contribute to improving the level of foreign exchange reserves and restoring the viability of public debt, while preserving social gains.

Finally, it requires the Government to commit bold reforms to strengthen governance in public finance management.

1. **The main objectives of the 2018 financial year**

The 2018 Finance Bill plans to achieve the following objectives:

- reduction of non-oil primary deficit;
- budgetary discipline and rationalization of expenditure;
- improved performance of financial boards;
- control of the debt policy and strict management of the debt;
- strengthening of the financial system.

international cooperation.

1. **From the draft budget 2018 presented in large masses**

From the outset, I would like to point out that the structure of the Finance Act has changed compared to that of previous years, due to the changes induced by the new organic law n ° 36-2017 of October 3, 2017 relating to the laws. of finance. The revenue and the budgetary expenses are now presented by title, according to a new nomenclature defined in article 13 of the organic law mentioned above. Similarly, the budget execution rules are now part of the budget law.

The **general budget for** fiscal year 2018 is set at **1,522 million CFAF 629 million** and **CFAF 1,303 billion 629 million** .

Estimates of **budgetary resources** amount to **CFA 1,522 billion 629 million,** compared to **CFA 1,243 billion 300 million** in 2017, an increase of **CFAF 279 billion 329 million** or **22.47%** .

The forecast of **tax revenues** amounted to **737 billion 934 million CFA francs** against **769 billion CFA francs** the previous year, down **31 billion 066 million CFA francs (-4.04%)** .

The **taxes and domestic taxes** amounted to **621 billion 434 million CFA francs** against **653 billion CFA francs** , down **31 billion 566 million CFA francs** ;

The **customs duties and taxes** amounted in turn to **116 billion 500 million CFA francs,** almost the same

francs bonus) against **391 billion 300 million CFA francs in 2017** , an increase of **357 billion 900 million CFA francs (+ 91.49%)** on the basis of a production assumption of **117 million barrels** , a barrel price of Congolese crude at **60 dollars** and an exchange rate of **566. , 7 CFA francs** for one US dollar;

The **administrative fees and charges** will be reduced to **2 billion 995 million CFA francs** against **12 billion CFA francs** in 2017, a decrease of **9 billion 005 million CFA francs (-75.04%) ;** however, measures are provided for in this draft budget bill to improve the level of collection of fees and administrative costs.

The **interest on loans** are expected to **3 billion 300 million CFA francs** against **11 billion CFA francs** in 2017, a decrease of **7 billion 700 million CFA francs (-70.00%)** .

The forecast **budget expenditure** totaled as for them the sum of **1 303 000 000 000 629 million CFA francs** against **1498 billion 537 million CFA francs** in 2017, a decrease of **194 billion 908 million CFA francs (-13, 01%), a** consequence of the continued reduction in the state of the state's lifestyles since the beginning of the crisis in 2014.

The **financial burden of the debt** amount to the sum of **146 billion CFA francs** against **89 billion CFA francs** in the previous year, an increase of **57 billion CFA francs** (+ **64.04%)** reflecting the increase in the stock of debt **;**

Spending **staff** will amount to **364 billion 500 million CFA francs** against **410 billion CFA francs** in 2017, a decrease of **45 billion 500 million CFA**

francs freely assignable resources and **133 billion 400 million CFA francs** external resources) against **437 billion 537 million CFA francs** in 2017, ie - **39.66%.** This reduction aims at reducing the impact of investment spending on both the level of indebtedness and the level of foreign exchange reserves expressed in months of imports. A special emphasis will be placed on the development of the food (cassava and banana) and commercial (cocoa) sectors, as requested by the Head of State, in his message to the Nation.

The **other expenses** (old common charges) amounted to **34 billion CFA francs** in 2018, almost at the same level as last year (**35 billion CFA francs**).

As for the **subsidiary budgets,** they are balanced in terms of resources and expenses to the sum of **11 billion 761 million CFA francs** against **3 billion 811 million CFA francs in 2017,** an increase of **7 billion 950 million CFA francs (+ 208.61%)** which is justified by the inclusion of certain unincorporated public administrations, which receive royalties for services provided.

The **Treasury's special accounts** are balanced in terms of resources and expenses at the sum of **68 billion 229 million CFA francs** against **10 billion 937 million CFA francs** in 2017, a very strong increase of **57 billion 292 million CFA francs. (+ 523.84%)** . They take into account the social contributions, in application of the provisions of article 13 of the Organic Law relative to the finance laws.

amount of **979 billion 100 million CFA francs** against **379 billion 812 million CFA francs** in 2017, up sharply from **599 billion 288 million CFA francs (+ 157.79%),** because of the importance of debt service and the constitution of provisions for contribution to foreign exchange reserves.

This shows a cash deficit of **CFAF 778 billion 900 million** , compared with a cash surplus of **CFAF 255 billion 237 million** in 2017, which represents a deterioration in the cash position of **CFAF 1,034 billion 137 million (- 405.17%),** which raises the problem of financing this deficit.

1. **The funding problem posed by this finance bill**

The cash deficit of **CFAF 778 billion 900 million** can not be absorbed by the budget surplus of **CFAF 219 billion** generated above. There is therefore a residual deficit of **559 billion CFA francs** , to be financed from resources to be sought.

The search for the financing of this gap is therefore the main problem to be solved in 2018. Given that this deficit results mainly from the high level of external debt service, the Government's efforts will be concentrated on negotiations with Congo's creditors, in the goal of obtaining a reprocessing of the external debt to make it sustainable.

Honorable Speaker of the National Assembly,

Honorable members of the Bureau of the National Assembly,