

**EXECUTIVE  
BOARD  
MEETING**

EBS/22/1  
Supplement 2

January 18, 2022

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of Congo—Request for a Three-Year Arrangement Under the Extended Credit Facility—Supplementary Information, Revised Proposed Decision, and Revised Text of Arrangement**

Board Action:	Executive Directors' <b>consideration</b> (Formal)
Tentative Board Date:	<b>Friday, January 21, 2022</b>
Proposed Decision:	Page 2
Additional Information:	Proposed Decision has been revised to update the reference to the revised text of the arrangement.
Publication:	Yes*
Questions:	Ms. Mitra, AFR (ext. 39523) Mr. Sulemane, AFR (ext. 38099)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—African Development Bank, World Trade Organization

\*The authorities have indicated that they consent to the Fund's publication of this paper.





# REPUBLIC OF CONGO

## REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—SUPPLEMENTARY INFORMATION, REVISED PROPOSED DECISION, AND REVISED TEXT OF ARRANGEMENT

January 14, 2022

Approved By Vitaliy Kramarenko (AFR) and Gavin Gray (SPR)

**1. The Republic of Congo owes arrears to Belgium which has consented to Fund financing notwithstanding these arrears.** This information does not alter the thrust of the staff appraisal. The Fund's policy on lending into arrears to official bilateral creditors applies to these arrears to Belgium that are not treated under the DSSI—referenced in paragraph 27 of EBS/22/1. As such, the Belgian authorities consented to Fund financing, notwithstanding the arrears. Staff has therefore updated the proposed decision and the ECF arrangement accordingly to reflect the relevant financing assurances review (paragraph 5(e) of the ECF arrangement).

## Revised Proposed Decision

The following decision, which may be adopted by the majority of the votes cast, is proposed for adoption by the Executive Board:

1. The Republic of Congo has requested a three-year arrangement under the Extended Credit Facility in a total amount equivalent to SDR 324.00 million.
2. The Fund approves the arrangement set forth in EBS/22/1 Supplement 2, and decides that the Republic of Congo may request the first disbursement under the arrangement, on the condition that the information provided by the Republic of Congo on the implementation of the measures specified as prior actions in Table 3 to the Memorandum of Economic and Financial Policies attached to the letter from the Prime Minister, and the Minister of Finance and Budget, dated January 10, 2022 is accurate.

## Arrangement Under the Extended Credit Facility

Attached hereto is a letter dated January 10, 2022 (the "Letter"), with its attached Memorandum of Economic and Financial Policies (the "MEFP") and Technical Memorandum of Understanding (the "TMU"), from the Prime Minister, Head of the Government of the Republic of Congo, and Minister of Finance and Budget of the Republic of Congo requesting from the International Monetary Fund, as Trustee of the Poverty Reduction and Growth Trust (the "Trustee"), a three-year arrangement under the Extended Credit Facility ("ECF"), and setting forth:

- (a) the objectives and policies of the program that the authorities of the Republic of Congo intend to pursue during the three-year period of the arrangement;
  - (b) the objectives, policies and measures that the authorities of the Republic of Congo intend to pursue during the first year of the arrangement; and
  - (c) understandings of the Republic of Congo with the Trustee regarding reviews that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of the Republic of Congo will pursue during the second and third years of the arrangement.
1. To support these objectives and policies, the Trustee grants the requested three-year arrangement in accordance with the following provisions, and subject to the provisions applying to assistance under the Poverty Reduction and Growth Trust (the "PRG Trust") including in particular Section II, paragraph 1(b)(4) of the PRG Trust instrument annexed to Decision No. 8759-(87/176) ESAF, as amended.
    - (a) For a period of three years from the date of approval of this arrangement, the Republic of Congo will have the right to obtain disbursements from the Trustee in a total amount equivalent to SDR 324.00 million, subject to the availability of resources in the PRG Trust.
    - (b) Disbursements under this arrangement shall not exceed the equivalent of SDR 194.40 million in the first twelve months, and the equivalent of SDR 259.20 million in the first twenty-four months.
  2. During the period of the arrangement:
    - (a) the first disbursement, in an amount equivalent to SDR 64.80 million, will be available upon approval of the arrangement, at the request of the Republic of Congo;
    - (b) the second disbursement, in an amount equivalent to SDR 64.80 million, will be available on or after April 15, 2022 at the request of the Republic of Congo and subject to paragraphs 4 and 5 below;

- (c) the third disbursement, in an amount equivalent to SDR 64.80 million, will be available on or after October 15, 2022, at the request of the Republic of Congo and subject to paragraphs 4 and 5 below;
- 3. The right of the Republic of Congo to request further disbursements during the second and third years of this arrangement shall be subject to such phasing and conditions as shall be determined in the context of reviews under the Republic of Congo's ECF arrangement.
- 4. The Republic of Congo will not request the second and third disbursements under this arrangement specified in paragraphs 2(b) and 2(c) above respectively:
  - (a) if the Managing Director of the Trustee finds that, with respect to the second disbursement, the data as of February 28, 2022, and with respect to the third disbursement, the data as of June 30, 2022 indicate that:
    - (i) the floor on the basic non-oil primary balance; or
    - (ii) the ceiling on net domestic financing to the central government; as set out in Table 1 of the MEFP and further specified in the TMU was not observed; or
  - (b) until the Trustee has determined that, with respect to the second disbursement, the first program review, and with respect to the third disbursement, the second program review, both referred to in paragraph 34 of the MEFP, has been completed.
- 5. The Republic of Congo will not request any disbursement under this arrangement if at any time during the period of the arrangement:
  - (a) the ceiling on the accumulation of new arrears on external debt contracted or guaranteed by the central government;
  - (b) the ceiling on the nominal value of new non-concessional external debt contracted or guaranteed by the central government; or
  - (c) the ceiling on the nominal value of new external debt contracted by or on behalf of the central government and guaranteed with future natural resource (including oil) deliveries,
    - as set out in Table 1 of the MEFP and further specified in the TMU, is not observed;
    - or
  - (d) the Republic of Congo:
    - (i) imposes or intensifies restrictions on the making of payments and transfers for current international transactions, or

- (ii) introduces or modifies multiple currency practices, or
  - (iii) concludes bilateral payments agreements that are inconsistent with Article VIII, or
  - (iv) imposes or intensifies import restrictions for balance of payments reasons; or
- (e) until the Trustee has determined that with regard to each disbursement, for so long as the Republic of Congo has outstanding sovereign external payments arrears to official bilateral and/or private creditors, a financing assurances review has been completed.
6. When the Republic of Congo is prevented from requesting disbursements under this arrangement because of paragraphs 4 and 5 above, such disbursements may be made available only after consultation has taken place between the Trustee and the Republic of Congo and understandings have been reached regarding the circumstances in which the Republic of Congo may request the disbursements.
7. In accordance with Paragraph 10 of the Letter, the Republic of Congo will provide the Trustee with such information as the Trustee requests in connection with the progress of the Republic of Congo in implementing the policies and reaching the objectives of the program supported by this arrangement.
8. During the period of this arrangement, the Republic of Congo shall remain in close consultation with the Trustee. In accordance with Paragraph 9 of the Letter, the Republic of Congo shall consult with the Trustee on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director of the Trustee requests such a consultation. Moreover, after the period of this arrangement and while the Republic of Congo has outstanding financial obligations to the Trustee arising from loan disbursements under this arrangement, the Republic of Congo will consult with the Trustee from time to time, at the initiative of the government or whenever the Managing Director of the Trustee requests consultation on the Republic of Congo's economic and financial policies. These consultations may include correspondence and visits of officials of the Trustee to the Republic of Congo or of representatives of the Republic of Congo to the Trustee.