

**EXECUTIVE
BOARD
MEETING**

SM/21/165

Correction 1

September 23, 2021

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of Congo—Staff Report for the 2021 Article IV Consultation**

Board Action: The attached corrections to SM/21/165 (9/13/21) have been provided by the staff:

Evident Ambiguity **Page 33 (para. 3, line 3, “at end-2020”; and line 6, “at end-2020”)**

Factual Errors Not Affecting the Presentation of Staff’s Analysis or Views **Page 33 (para. 3, line 3, “10 million”; and line 6, “19 million”)**

Questions: Ms. Mitra, AFR (ext. 39523)
Mr. Sulemane, AFR (ext. 38099)

Annex II. Outcome of Strategy to Restore External Debt Sustainability

1. The authorities' strategy to restore external debt sustainability, where external debt comprises around two thirds of overall public debt, has yielded tangible results. Since its initiation in 2019, this strategy has resulted in restructuring of external debt contracts and clearance of more than \$3 billion (20 percent of GDP) in external arrears. The strategy has been complemented by suspension of debt service under the G20 Debt Service Suspension Initiative (DSSI). Key developments include:

- Restructuring of bilateral debt with China, covering about one fifth of overall public debt. This agreement, concluded in 2019, resulted in a resolution of arrears and substantial upfront debt service with highly concessional debt service from 2022.
- Restructuring of debt with two out of the three largest external creditor, together covering one tenth of overall public debt. These agreements included a resolution of arrears accumulated to these companies, nominal haircuts on the stock of outstanding debt, maturity extensions, interest rate reductions, and debt service to one of the oil traders is now tied to oil prices.
- Payment of US\$64 million in arrears to multilateral and official bilateral creditors in January 2020.
- Rescheduling of US\$198 million in arrears with bilateral creditors under the 2020 DSSI and of US\$179 million under the 2021 DSSI (including Brazil and Turkey with whom negotiations are on-going). Arrears accumulated to India in 2021H1 are expected to be cleared as DSSI negotiations conclude.

2. Negotiations on debt restructuring with two other external commercial creditors are on-going. An agreement in principle (AIP) was reached in early 2021 with one private creditor, holding about one twentieth of overall public debt. However, the AIP has not yet been approved by the creditor's underlying lenders. Until the situation is resolved, the Republic of Congo is accruing arrears for debt service to the private creditor. Discussions on the restructuring of the debt owed to the other private creditor, which is around 1 percent of overall public debt, are at a standstill. The level of interest in continuing these discussions may be influenced by the fact that under 30 percent of the original loan amount (just under \$100 million) will be outstanding by end-2021. No arrears have been accumulated on this debt.

3. The authorities are discussing payment plans with Switzerland and Belgium on official debt service that came due just after the DSSI cut-off date. Upon completion of the process of reconciling the stock of official arrears with Switzerland (\$9-10 million at end-2020), the authorities plan to repay these arrears in 2021. The authorities are actively discussing a payment plan for the arrears related to the commercial debts to Belgian banks on which an official guarantee was called after the DSSI cut-off date (\$18-19 million at end-2020).