

# IMF seeks Congo debt restructuring, governance reform

The IMF is seeking debt restructuring and governance reforms before a mooted loan deal can go ahead. While the fund's relations with the Brazzaville government have sometimes been frosty, the need to contain regional instability is adding to support for a deal, writes [Oliver Barnes](#)

Talks are under way between the government of Republic of Congo and the International Monetary Fund (IMF) over a potential three-year Extended Credit Facility (ECF) programme. An IMF spokesperson confirmed to *African Energy* that talks with President Denis Sassou-Nguesso's administration were continuing following a mission in November but declined to predict when an agreement might be reached.

"The IMF continues to hold productive discussions with the authorities. These discussions have taken time because the Congolese authorities needed to develop a comprehensive debt strategy to restore debt sustainability," the spokesperson said.

Following the November mission the authorities agreed to make adjustments to the 2019 budget, accelerate the implementation of key structural reforms including measures to improve governance and transparency, and step up discussions on debt restructuring.

The IMF spokesperson said the ECF arrangement would be recommended to the board once "credible and specific assurances from key creditors on debt restructuring and compliance with fund policies on lending into official arrears have been established".

Congo's debt stood at \$9.8bn at end-2018, of which \$6.8bn was owed to Chinese lenders, according to official figures. Some sources suggest there may be more "hidden" debt, adding to the burden on Brazzaville. The government sought a new IMF bailout in 2017, as the effects of the lower oil price worsened, but progress on a deal was dealt a significant blow when government debt turned out to be significantly bigger than previously thought.

"Getting a deal immediately seems unlikely as Congo is struggling to restructure certain portions of its debt," said Maja Bovcon, senior Africa analyst at global risk firm Verisk Maplecroft. "While some local media reported in early December that the administration reached an agreement with Chinese lenders, there is no clear evidence that this is indeed the case. The government also still needs to restructure the debt of over \$2bn owed to oil traders."

## Governance conditions

An IMF mission visited Brazzaville in early November to review progress. It expressed satisfaction with initial reforms but said it wanted to see more concrete measures to deter corruption and improve the accounting and management of oil revenues. The IMF team raised the possibility that they could soon make a positive recommendation to the board, but stressed that there would first have to be progress on implementing the mooted

governance reforms.

"Steadfast implementation of measures to improve governance will be critical to anchor expectations of a break with past policies," the IMF spokesperson said. In 2018, the authorities submitted a law to parliament requiring the annual publication of audited financial statements from state oil company Société Nationale des Pétroles du Congo (SNPC).

Congo has been here before. In January 2010, the government won a debt relief deal under the Heavily Indebted Poor Countries initiative after closing Congolaise de Trading (Cotrade), SNPC's controversial marketing arm, and agreeing to publish SNPC's revenues and sales figures (*AE 181/4*).

Paul Melly, an associate fellow at the Africa programme at Chatham House, told *African Energy*: "Despite the IMF talking up its wariness [about giving Congo a loan deal], their leverage is limited by the fact it doesn't want the government to walk away, it wants to draw Congo back into a cooperative relationship where it will agree to reforms and improve provision of public services."

## Regional instability

Congo is part of the fragile Central African Economic and Monetary Community (Cemac) bloc, which also includes Gabon, where an attempted coup was overturned in January in the absence of the president, who is recovering in Morocco from a stroke, and Cameroon, where security forces have brutally suppressed protests in the anglophone west.

Following its annual discussions with Cemac in December, the IMF said "improvement in the regional economic and financial situation over the medium term depends critically on full implementation of policy commitments by Cemac member states and regional institutions and adoption of fund-supported programmes by the Republic of Congo and Equatorial Guinea".

Foreign investment could be boosted by new oil industry activity, after the government launched the second phase of its licensing round in November 2018, offering 18 blocks. Bids are due by 30 June (*AE 381/16*). The IMF said strong interest in the licensing round would "signal positive prospects for the oil sector and the possibility of sustaining, and even increasing, the high levels of production observed in recent years". Three blocks were awarded in the first round, which first launched in November 2015, and the second round includes blocks re-offered after failing to find investors.

Bovcon said: "Amortising debt depends on the second phase licensing round as, without sufficient foreign private investment,

it will be impossible for the Congo to get these new oil projects operational in the near future.”

According to Bovcon, the dire state of public finances means it is very likely that Congo-Brazzaville will seek new loans from China. At the end of last year, President Sassou-Nguesso travelled to the Forum on China-Africa Cooperation in an attempt to obtain loan deals, but sources told African Energy Beijing was reluctant to provide more while outstanding arrears remained unresolved. According to Melly, “the type of oil-collateralised loan that the Chinese are interested in agreeing to is not compatible with the preconditions of any future IMF deal”. He said a key challenge facing Brazzaville was “balancing their need for a loan from the Chinese in the short term and the more medium-term aspiration of obtaining an IMF bailout”.

### EQUATORIAL GUINEA

## Swiss hand back Teodorín's yacht

Vice-president Teodoro Nguema Obiang Mangue's \$100m luxury yacht *Ebony Shine* is being returned to him after Swiss authorities closed an investigation into money laundering and mismanagement of public assets. Authorities in Geneva said on 7 February they had decided to dismiss proceedings against

Obiang (known as Teodorín) and two other defendants. An official statement said some 25 luxury sports cars seized under the procedure will be sold and the proceeds of their sale allocated to a social programme in Equatorial Guinea, while the Malabo authorities have agreed to pay CHF1.3m to the State of Geneva to cover the cost of proceedings. “This programme will be implemented transparently on the basis of an international agreement to be negotiated by the Federal Department of Foreign Affairs,” the statement said.

The Geneva Public Prosecutor's Office opened a criminal investigation in October 2016. The cars were seized in Geneva in autumn 2016, while the yacht was impounded in the Netherlands in December 2016. The cars include a Bugatti Veyron, four Ferraris including an Enzo and 599 GTB, a Porsche 918 Spyder, a Lamborghini Veneno, a Maybach, a Koenigsegg, an Aston Martin and a McLaren P1. In July 2017 a Swiss court rejected a legal challenge to the seizure, which argued that the cars did not belong to Obiang but to a state company and were only in Geneva for repairs.

Teodorín, the son of President Teodoro Obiang Nguema Mbasogo, is his father's chosen successor but has faced investigations in several jurisdictions for his unexplained wealth (*AE 376/3*). In 2017, he was given a three-year suspended jail term in France for embezzling public money.

### 19-20 February: The Solar Show MENA, Cairo

Web: [www.terrapinn.com/exhibition/solar-show-mena](http://www.terrapinn.com/exhibition/solar-show-mena)

### 25 February: Diversity in Energy, London

Web: [www.diversityenergysummit.com](http://www.diversityenergysummit.com)

### 25-27 February: Powering Africa Summit, Miami

Organised by EnergyNet. Web: [www.poweringafrica-summit.com](http://www.poweringafrica-summit.com)

Symbion Power CEO Paul Hinks will chair a panel on 26 February on the risks and challenges of doing business in Africa, with Endeavor Energy CEO Sean Long and ContourGlobal CEO Joseph Brandt.

### 28 February: Renpower Rwanda, Kigali

Web: [www.conventionventures.com/events](http://www.conventionventures.com/events)

### 10-13 March: North Africa Petroleum Exhibition & Conference

To be held in Oran. Web: [www.napec-dz.com/default.aspx?lg=fr&idsalon=54](http://www.napec-dz.com/default.aspx?lg=fr&idsalon=54)

### 13-14 March: Bonds, Loans & Sukuk Africa, Cape Town

Web: [www.africa-energy.com/event/bonds-loans-and-sukuk](http://www.africa-energy.com/event/bonds-loans-and-sukuk)

### 28-29 March: Renewable Conference North Africa

To be held in Casablanca. Web: <http://renewablenorthafrica.com>

### 2-5 April: APPO CAPE VII, Malabo

Hosted by the African Petroleum Producers Organisation. Web: <https://africaoilandpower.com/event/appo-cape-vii>

### 8-10 April: Mines Symposium Guinea, Conakry

Web: [www.smguinee.com](http://www.smguinee.com)

### 8-10 May: East African Petroleum Conference, Mombasa

Organised by the East African Community. Web: <http://www.eapce19.eac.int>

### 15-16 May: Liberia International Mining, Energy & Petroleum

To be held in Monrovia. Web: <http://ametrade.org/limep>

### 13-14 June: Zambia International Mining & Energy Conference & Exhibition

To be held in Lusaka. Web: <http://ametrade.org/zimeczambia>

## Cbl Events

### 2-3 May 2019: AIX: Gas 2019, London

The fifth *Africa Investment Exchange AIX: Gas* will again be held at the RSA. Visit <https://africa-investment-exchange.com/2018/04/23/aix-gas>. Call Bruno Coburn or Lauren Andrews on +44 (0) 1424 721667.

### 2-3 October: AIX: Nairobi 2019

*Africa Investment Exchange Power and Renewables* event, to be held at Fairmont, The Norfolk hotel in Nairobi

### 13-14 November: AIX: Power and Renewables 2019

The sixth *Africa Investment Exchange Power and Renewables* event, to be held at RSA House in London.