



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-First Session

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SETTLEMENT OF ARREARS BY THE REPUBLIC OF THE CONGO

A. Introduction

1. The present document contains a recommendation by the President of IFAD to implement a settlement plan for arrears incurred by the Republic of The Congo. The recommendation is based on negotiations between an authorized delegation of the Government of The Congo and IFAD, held in Brazzaville in October 2000.

B. Background

2. IFAD has to date approved three loans for The Congo: (a) La Cuvette Artisanal Fisheries Project (loan 117-CG); (b) Kindamba Food Crops Development Project (loan 187-CG); and (c) Marketing and Local Initiatives Project (loan 272-CG). All three projects are now closed. The total amounts of loans approved amounts to SDR 13 950 000, of which SDR 5 658 000 was disbursed.

3. Project implementation was severely disrupted by a fratricidal civil war that began in 1997 and led to the internal displacement of about 650 000 people and the killing of another 5 000-10 000. Brazzaville was severely damaged and emptied of close to 70% of its population. On 19 December 1999, a peace agreement was finally signed between the conflicting militia groups and the displaced people gradually returned to their homes. The population of Brazzaville is now being resettled; the strategic railroad between Brazzaville and Pointe Noire has reopened; and economic activities have started up again, albeit slowly.

4. The civil disturbances have seriously impacted on the country's economic activities and financial situation, leading, *inter alia*, to delays in honouring Government debt obligations. In 1995, after three years' suspension of loan 272-CG due to arrears, IFAD proposed an arrears settlement plan to the Government of The Congo in order to restart project activities in the country. The plan was accepted by the Government and IFAD lifted disbursement suspension. The Government honoured its obligations under the plan and made regular loan repayments until April 1997. However, in June 1997, disbursement was again suspended because of non-payment of regular and rescheduled instalments. In June 1998, the Government transferred an amount of FRF 3 878 857.22 to IFAD,



which brought it up to date with the settlement plan but not with the regular loan repayments. Suspension could not, therefore, be lifted.

5. Since 1998, the Government has called upon IFAD several times requesting the resumption of project activities. In May 2000, the President of The Congo reconfirmed his Government's interest in resuming cooperation with IFAD and invited representatives of the organization to visit The Congo in order to examine the arrears situation with government authorities. In response, IFAD fielded a mission to the country in October 2000.

6. Subject to Executive Board approval, an agreement has been concluded with the Congolese authorities on an arrears settlement plan which takes account both of IFAD's policy on safeguarding the net present value (NPV) of outstanding debts and the country's financial and budgetary situation.

C. Recommendation

7. The Executive Board is requested to approve the following agreement, which would become effective upon receipt of a down payment of FRF 5 038 814:

- (a) total arrears as of 1 October 2000, equal to FRF 20 677 430 in nominal terms;
- (b) the NPV of the arrears as of 1 October 2000 is equivalent to FRF 28 282 672;
- (c) the NPV of the arrears will be paid to IFAD as follows:
 - (i) down payment of FRF 5 038 814;
 - (ii) ten equal instalments of FRF 2 324 386, to be paid on the following dates:
1 September 2001, 1 March 2002, 1 September 2002, 1 March 2003,
1 September 2003, 1 March 2004, 1 September 2004, 1 March 2005,
1 September 2005 and 1 March 2006; and
- (d) all current billings will be paid on the respective due dates.

8. It is to be noted that, on 13 October 2000, IFAD received FRF 603 654.13 as an advance on the down payment of FRF 5 038 814 of the arrears settlement plan. The NPV calculation will be adjusted accordingly, taking account of the date of actual receipt of the full down payment.