



**CONGO FLASH NOTE**

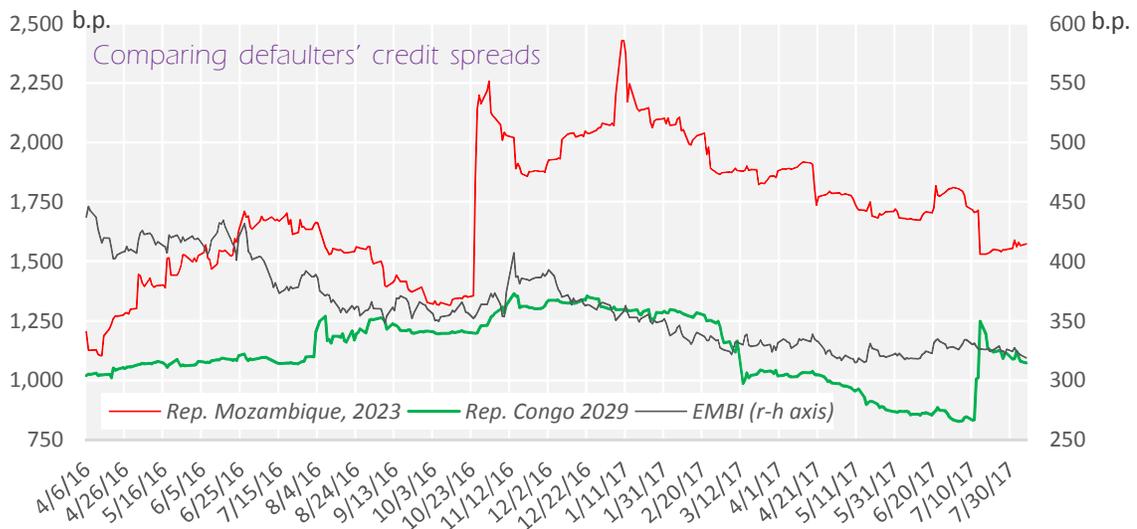
**Report of hidden debts complicates an already murky credit picture**

*On Friday, it emerged that, taking a leaf from Maputo’s discredited play-book, Brazzaville had concealed a significant chunk of the Government’s debt from the IMF mission in March.*

*The Fund has since confirmed the discrepancy and revised Congo’s debt ratio to 117% - from the 77% originally reported.*

1) The IMF was scheduled to field a follow-up mission in the next few weeks, in the context of its ongoing effort to support the states of the CEMAC sub-region. As keen as the IMF is to assist these crisis-plagued oil exporters, **Brazzaville’s misbehaviour seems likely to derail** - or at a minimum, delay - **whatever package had been under consideration** for The Congo.

We would therefore **expect to see some convergence** between the yield spreads at which Congo and Mozambique have been trading. As illustrated below, the **current differential is exactly 500 b.p.**



2) As will be recalled, **on July 30<sup>th</sup>, Congo’s 2029 eurobond fell into a technical default**, 30-days having elapsed since the June 30 coupon payment failed to materialize. Admittedly, this was because a government contractor, who had won an international arbitration award of USD 950 mm, managed to get **an injunction preventing the trustee from distributing to bond-holders the relevant payment** - that the Republic had indeed funded.

3) However, **there seems no prospect of an early resolution to this particular crisis**, not least because total Government arrears to suppliers of goods and services reportedly amount to almost 40% of GDP. And this is at a time when the authorities have already drawn down most of their reserves at the BEAC (monetary authority for the central African region).

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