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IMF, World Bank Support Debt Relief for Congo

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By Sandrine Rastello

July 2 (Bloomberg) -- The International Monetary Fund and the World Bank agreed to support \$12.3 billion in debt relief for the Democratic Republic of Congo, erasing obligations almost the size of central African country's economy.

"This could be a turning point in DRC's long-troubled history," Marie Francoise Marie-Nelly, the World Bank's country director for Congo, said today in an e-mailed statement.

Congo, which celebrated its 50th anniversary of independence from Belgium two days ago, has been seeking to have its debt canceled under the IMF and World Bank's Heavily Indebted Poor Countries initiative. Excluding future debt service obligations, the relief at present value is \$7.9 billion.

The announcement came after the country's independence day because Canada sought a delay in the board discussion, a World Bank official said. Canada today abstained in the vote, according to the official, who spoke on condition of anonymity.

Canadian authorities have sought to bring attention to Congo's expropriation of First Quantum Minerals Ltd.'s copper project. The Vancouver-based company's mine was shuttered last year after a two-and-a-half-year government review of Congo's mining contracts. The dispute was taken to the International Chamber of Commerce's International Court of Arbitration in Paris on Feb. 1.

G-8 Criticism

The Group of Eight industrial nations, in a statement released June 26 after a meeting hosted by Canada in Huntsville, Ontario, criticized "the illicit exploitation of and trade in natural resources from the eastern Democratic Republic of the Congo."

"We take very seriously all of the issues governance," Caroline Atkinson, the IMF's director of external relations, said at a press briefing yesterday in Washington. "We have advised the government, and this is just general advice that we give, that any contractual dispute should be resolved through normal channels, through arbitration where needed."

The IMF has advised Congolese officials to let the arbitration dispute with Canada "take its course before they move further," she said.

In today's statement, the Washington-based bank and fund said they would relieve \$2.3 billion in debt owed to the institutions, with the rest of the cancellation coming from "bilateral and commercial creditors."

China's Ties

Congo's gross domestic product this year is estimated at \$12.6 billion, according to the IMF. China is the country's biggest trade partner, accounting for 47 percent of its exports, according to U.S.

government figures.

“As a result of this relief, the DRC will no longer face a heavy debt service burden in relation to its revenue and foreign exchange resources,” the statement said.

To get debt relief under the initiative, countries must meet criteria such as poverty reduction through policy changes and demonstrate a “good track-record over time,” the IMF said on its website.

Today’s joint statement by the IMF and World Bank said the country needs to work to rebuild a foundation for economic growth.

“Strengthening the rule of law, improving governance --especially in the oil and mining sectors -- and improving the business climate are essential next steps to macroeconomic policy management and performance following a devastating decade-long conflict that destroyed the country’s economic and social infrastructure,” Marie-Nelly said.