January 2008
IMF Country Report No. 08/14

Central African Republic: Enhanced Initiative for Heavily Indebted Poor Countries—Decision Point Document

This paper was prepared by staff of the International Monetary Fund and the World Bank in connection with the Executive Board's consideration of the Central African Republic's decision point document under the Enhanced Initiative for Heavily Indebted Poor Countries. It is based on the information available at the time it was completed on September 11, 2007. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of the Central African Republic or the Executive Board of the IMF.

The policy of publication of staff reports and other documents by the IMF allows for the deletion of market-sensitive information.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.

Copies of this report are available to the public from

International Monetary Fund ● Publication Services
700 19th Street, N.W. ● Washington, D.C. 20431
Telephone: (202) 623 7430 ● Telefax: (202) 623 7201
E-mail: publications@imf.org ● Internet: http://www.imf.org

Price: $18.00 a copy

International Monetary Fund
Washington, D.C.

INTERNATIONAL DEVELOPMENT ASSOCIATION
AND INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

Enhanced Heavily Indebted Poor Countries (HIPC) Initiative— Decision Point Document

Prepared by the Staffs of the International Development Association
and the International Monetary Fund

Approved by Obiageli Katryn Ezekwesili and Danny Leipziger (IDA) and
Hugh Bredenkamp and Mark Plant (IMF)

September 11, 2007

Contents **Page**

Figures

Boxes

Tables

Appendices

LIST OF ACRONYMS

ACER	*Autorité centrafricaine d'Electrification rurale*
ACFPE	*Agence Centrafricaine de Formation et de Perfectionnement*
AFD	*Agence Française de Développement* French Development Agency
AfDB	African Development Bank Group
AfDF	African Development Fund
AIDS	Acquired Immune Deficiency Syndrome
ART	*Agence de Régulation des Télécommunications*
ARSEC	*Autorité centrafricaine d'électrification*
ASRP	*Agence de stabilisation de régulation du produit pétrolier*
BADEA	*Banque Arabe pour le Développement Économique en Afrique* (Arab Bank for Economic Development in Africa)
BDEAC	*Banque de Développement des Etats de l'Afrique Centrale* (Central African States Development Bank)
BEAC	*Banque des Etats de l'Afrique Centrale* (Bank of Central African States)
C.A.R.	Central African Republic
CEMAC	*Communauté Economique et Monétaire de l'Afrique Centrale* (Central African Economic and Monetary Community)
CENTRAPALM	*Centrafricaine des palmiers*
CFA	*Coopération Financière en Afrique centrale* (Financial Cooperation in Central Africa)
CFAA	Country Financial Accountability Assessment
CFAF	CFA Franc
DSA	Debt Sustainability Analysis
EIB	European Investment Bank
EPCA	Emergency Post-Conflict Assistance
ESPF	Economic and Social Policy Framework
FER	*Fonds d'Entretien Routier*
GAVI	Global Alliance for Vaccines and Immunization
GDP	Gross Domestic Product
GNI	Gross National Income
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
ICA	*Imprimerie Centrafricaine*
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment
LICUS	Low-Income Countries under Stress
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MDRP	Multi-country Demobilization and Reintegration Program
NPV	Net Present Value
OCSS	*Office Centrafricain de Sécurité Sociale*
OFID	OPEC Fund for International Development
OHADA	*Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (Organization for the Harmonization of Business Laws in Africa)
ONI	*Office National de l'Informatique*
ONM	*Office National du Matériel*
OMS	*Organisation Mondiale de la Santé* (World Health Organization)
ONP	*Office National des Postes*
OPEC	Organization of Petroleum Exporting Countries
ORCCPA	*Office Régional de Contrôle et de Vérification des Produits Agricoles*
PPA	Participatory Poverty Analysis
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RIBSUP	Reengagement and Institution-Building Support Program Grant
SDR	Special Drawing Rights
SEGA	*Société d'État et de Gestion des Abattoirs*
SOCATEL	*Société Centrafricaine des Télécommunications*
UNDP	United Nations Development Program

EXECUTIVE SUMMARY

This document presents an assessment of the Central African Republic's (C.A.R.) qualification for assistance under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative, as well as the corresponding amount of debt relief, and sets forth the conditions for reaching the completion point that have been agreed between the authorities and IDA and IMF staffs.

The C.A.R. continues to make the transformation from post-conflict to recovery, supported by a strengthening of the political and security situation, although some tensions persist. The country's social indicators remain among the weakest in the world, but economic performance has been improving, with a modest increase in growth during 2006, an improved fiscal position, and some progress in structural reforms. As a reflection of stronger policy implementation, the C.A.R. has maintained satisfactory performance under the IMF's Poverty Reduction and Growth Facility (PRGF) arrangement.

Looking ahead, the authorities' economic reform agenda, rooted in a Poverty Reduction Strategy that is close to completion, aims at further fiscal consolidation and private-sector led growth. The fiscal effort will be supported by policies to enhance revenue mobilization, further tighten expenditure control, and reorient spending toward growth-enhancing and poverty-reducing areas. Structural reform will be directed toward reducing the cost of doing business and addressing the obstacles to growth and poverty reduction, including in the areas of financial intermediation, trade liberalization, and the regulatory and legal framework in the natural resource sector.

The C.A.R.'s debt ratios as of end-2006 remain above the HIPC thresholds even after the full application of traditional debt relief mechanisms.

The C.A.R.'s public- and publicly-guaranteed external debt is estimated at US1.1 billion in nominal terms as of end-December 2006, equivalent to about US856 million in net present value (NPV) terms. The reduction of the C.A.R.'s NPV of debt-to-exports ratio from 470 percent to 150 percent would require HIPC debt relief of US583 million in NPV terms. This implies a common reduction factor of 68 percent. Based on proportional burden sharing, multilateral debt relief would amount to US365 million (in NPV terms) and bilateral and commercial debt relief to US218 million (also in NPV terms). Upon reaching the HIPC completion point, the C.A.R. would also qualify for relief under the Multilateral Debt Relief Initiative (MDRI), which is estimated to reduce the NPV of debt owed to IDA, the IMF, and the African Development Fund by approximately US110 million (in end-2006 NPV terms).

A sensitivity analysis of the C.A.R.'s projected external debt burden after full delivery of HIPC Initiative assistance highlights the need for economic reform to diversify and enhance export performance, and for sustained foreign assistance on favorable terms, to avoid the risk of renewed debt distress.

I. INTRODUCTION

1. **This paper presents an assessment of the C.A.R.'s qualification for assistance under the enhanced HIPC Initiative.**[1] The Executive Boards of IDA and the IMF discussed the preliminary HIPC document for the C.A.R. on March 8 and 14, 2007, respectively.[2] On these occasions, Directors acknowledged the C.A.R.'s progress in making the transformation from post-conflict to recovery and its efforts in implementing economic reform. Directors agreed that the C.A.R. was eligible for assistance under the HIPC Initiative in view of (i) its status as a PRGF-eligible and IDA-only country; (ii) its NPV of debt to exports ratio at end-2004, which was above the indicative threshold of the HIPC Initiative even after the application of traditional debt relief mechanisms; and (iii) its engagement in IDA- and IMF-supported reform programs.[3] Directors also agreed that the C.A.R. could reach its Decision Point (that is, qualify for HIPC debt relief) by September 2007 at the time of the first review of the PRGF arrangement, provided that (i) the country remained on track with its IDA- and Fund-supported programs and (ii) understandings were reached on appropriate completion point triggers.[4] Directors were in general agreement with the areas of the proposed triggers for reaching the floating completion point but requested that the decision point document streamline the set of triggers and ensure that they could be effectively monitored. The proposed set of triggers is consistent with this advice and the staffs and the authorities agreed to remove several that were not easily quantified or monitored, in particular, those aimed at improving the business climate, and in health and education.

2. **The C.A.R.'s NPV of debt to exports ratio as of end-December 2006, after full application of traditional debt relief mechanisms, is estimated at 470 percent and is above the HIPC Initiative threshold.** Possible HIPC debt relief is estimated to be US583 million in end-December 2006 NPV terms (implying a common reduction factor of 68 percent), and relief associated with the Multilateral Debt Relief Initiative (MDRI), also in end-2006 NPV terms, is estimated at about US$110 million. Debt relief under the HIPC Initiative and the MDRI would help the C.A.R. address major challenges in reducing widespread poverty and reaching the Millennium Development Goals (MDGs). The authorities stress the importance of benefiting from interim HIPC assistance at decision point.

3. **This paper is organized as follows.** Section II provides background information on the country's eligibility under the HIPC Initiative. It summarizes the C.A.R.'s recent political and security developments, the nature and extent of poverty, the policy track record to date and reform agenda. Section III discusses the medium- to long-term macroeconomic

[1] The enhanced HIPC Initiative will hereafter be referred to as the HIPC Initiative.
[2] See IDA Report No 38675, February 21, 2007.
[3] The C.A.R. has reform programs supported by a three-year PRGF arrangement (covering 2007-09) from the IMF, approved in December 2006, and a Development Policy Operations (DPO) from IDA, approved in November 2006.
[4] The C.A.R. has an interim Poverty Reduction Strategy Paper (I-PRSP), which is another condition for reaching the HIPC decision point.

framework, while section IV presents possible assistance under the HIPC and MDRI initiatives and summarizes the results of a debt relief analysis. Section V discusses the floating completion point triggers, as well as the government's expenditure priorities and their tracking. Section VI presents issues for discussion by Executive Directors.

II. Background and Eligibility for HIPC Initiative Assistance

A. PRGF and IDA Status

4. **The C.A.R. is eligible for support from the IMF under the Poverty Reduction and Growth Facility and is an IDA-only country with per capita GNI of US360 in 2006[5].** The C.A.R. will continue to need substantial concessional financing from the international community and is likely to remain an IDA-only country and eligible for PRGF resources for the foreseeable future. The Fund's Executive Board approved a three-year PRGF arrangement for the C.A.R. on December 22, 2006, with access in an amount equivalent to SDR 36.2 million (65 percent of quota)[6]. IDA reengaged with the C.A.R. in 2006: as an important first step in a coordinated international effort to reengage with the C.A.R., a Reengagement and Institution-Building Support Program Grant (RIBSUP) of SDR 55.4 million (about US82 million) was approved by IDA's Executive Directors in November 2006. This operation supported the clearance of the C.A.R.'s arrears to IDA and provided budget support to the government.[7] IDA activities also include a US17 million HIV/AIDS project, restructured in 2007 to also cover emergency education and health needs, a US9.8 million project (closed in 2007) financed out of the Multi-country Demobilization and Reintegration Program (MDRP) grant facility to support demobilization, disarmament and reintegration of former combatants, and an US$18 million Emergency Urban Infrastructure Rehabilitation and Maintenance Project approved in May 2007. IDA also approved in June 2007 a CEMAC Transport and Transit Facilitation Program for Chad, Cameroon and the C.A.R., of which US24 million is for the C.A.R. alone. Financial support was also provided through two Low-Income Countries Under Stress (LICUS) Trust Fund grants of US4.0 million (2004) and US6.8 million (2006) which funded technical assistance to prepare the PRSP, as well as improvements to economic governance and public financial management, the delivery of social services, and community-driven development activities.

[5] Using the World Bank's Atlas methodology.
[6] The Fund's Executive Board approved a first Emergency Post-Conflict Assistance (EPCA)-supported program in July 2004 (covering the second semester of 2004) with a purchase in an amount equivalent to SDR 5.57 million (10 percent of quota) and a second in January 2006 (covering 2006) with a purchase in an amount equivalent to SDR 6.96 million (12.5 percent of quota). All EPCA credit was repaid in January 2007.
[7] See IDA Report 37864-CF.

B. Recent Political and Security Developments

5. **For most of the period since independence in 1960, the C.A.R. has experienced political instability and successive periods of armed conflict, resulting in weak governance and poor socio-economic outcomes.** A group headed by General François Bozizé came to power in March 2003 and set up a transitional government. A new Constitution establishing a presidential system was adopted in December 2004. Thereafter, presidential and parliamentary elections were held during the first half of 2005. Mr. Bozizé was elected president after a run-off contest and a new government was formed in July 2005.

6. **These successful elections have provided an opportunity to initiate security sector reforms and start moving forward with an ambitious economic reform agenda.** Political stability has begun to improve, and efforts to restore security are supported by the United Nations Office for Consolidation of the Peace in Central Africa (BONUCA), France, and regional forces (FOMUC) that are financed by the European Union. However, the implementation of the roadmap for sustained reconciliation and the strengthening of the democratization process are constrained by the limited resources and deep-rooted challenges to the rule of law, both of which contribute to an erosion of public trust.

7. **The security situation has improved, but tensions linger and the situation remains fragile.** On the security side, banditry continues in certain rural regions, particularly the Bangui-Cameroon corridor. In addition to rebel activity in the northwest, security in the northeast of the country has also been undermined by spillovers of conflict in Darfur and Chad. This protracted, low intensity conflict continues to pose challenges for the C.A.R., hindering prospects for recovery and reconstruction, particularly in rural areas, and raising the risk of disorder in the region. In this fragile security context, economic recovery remains modest while the financial situation continues to be difficult, undermining the government's ability to provide services to its population. The government has appealed to the international community for support to contain rebel incursions, which it considers a significant threat to national security. The recent UN decision to deploy a peacekeeping force in the Darfur region of Sudan and in the border area with Chad should help improve the overall security situation.

8. **June 2007 donor consultations in Brussels have underlined the need for stepped-up and coordinated actions from all partners to maintain a climate of security and to support the government's efforts to achieve social and economic objectives.** Participants stressed the need to show tangible improvements in living conditions for the population to avoid rising discontent, which could further undermine the fragile security situation. Hence, deeper, sustained and coordinated international support will be required, while simultaneously ensuring that the process is nationally owned and led.

C. Dimensions of Poverty

9. **The C.A.R. is one of the poorest countries in the world.** Over a long period, real GDP growth has lagged population growth, resulting in a substantial decline in per-capita income. Household survey data, collected in 2003 with the support of the UNDP, suggest that more than two-thirds of the population live below the (income) poverty line, with about one-third in extreme poverty. Poverty in urban areas is related to the weakness of the economic recovery and is exacerbated by the domestic arrears in wages and pensions. Rural poverty has been intensified by the conflict, which caused population displacement and declining agricultural production, as well as the isolation resulting from the poor condition of rural roads. Poverty is less severe in Bangui than in the rest of the country.

10. **The qualitative Participatory Poverty Analysis (PPA) undertaken in early 2007 points to three essential problems, according to the poor themselves.** These are: (i) poor governance and abuse of power; (ii) widespread insecurity; and (iii) lack of money at the household and local economy level, all of which reinforce a sense of hopelessness and lack of motivation. These issues will require particular attention in the design and implementation of the PRSP, which is critical to restoring trust between government institutions and the people at large.[8]

11. **Social indicators place the C.A.R. among the least developed countries of the world.** The 2006 UNDP Human Development Report ranks the C.A.R. near the bottom of its Human Development Index (172nd out of 177 countries). Health indicators are among the worst in the world as a result of dilapidated facilities and shortages in personnel, medication and equipment. Life expectancy has fallen from roughly 50 years in the late 1990s to 39 years in 2005, due in part to HIV/AIDS. Indeed, the C.A.R. is one of the most affected countries by HIV/AIDS in Africa, with a prevalence rate estimated by UNAIDS of 6.2 percent for the 15-49 age group in 2005. The quality of education is very poor. In 2004/05, one child out of four had never attended school, and only 31 percent of children enrolled in primary school completed primary education. Moreover, there are many internally displaced persons as a consequence of past instability and conflict, and women and children have been disproportionately affected. These factors combine to lead to a high level of under-employment. Other social indicators are also very low: 40 percent of the population has access to safe water and only 7.6 percent of the population uses electricity as a source of lighting. Finally, gender disparities are high, as the C.A.R. ranked 129 out of 175 countries in 2003 in terms of the gender-specific human development indicator.

---

[8] The PPA was undertaken with assistance from IDA, and points to ten priority problems, which vary from region to region.

12. **The C.A.R. is unlikely to achieve its MDGs by 2015.** Public sector contribution to the provision of basic social services is limited and inequitable, which adds to the vulnerability of the poor population, and the private sector is not equipped to fill the gaps in the provision of these basic social services.[9]

Poverty and Social Indicators

Indicator	Central African Republic	Sub-Saharan Africa average	Low-income country average
Population (in millions, mid-2005) 1/	4.0	743.1	2352.4
Population growth (in percent, 1998-2005)	1.5	2.4	1.9
Gross national income per capita (US$, 2005)	350.0	746.1	585.4
Life Expectancy (years, 2005)	39.4	46.7	58.9
Infant mortality rate (per thousand, 2005)	115.0	96.3	75.1
Access to an improved water source (percent of population, 2004)	75.0	56.2	75.1
HIV/AIDS: Estimated prevalence rates (in percent, 2006)			
By gender:			
Male	4.3	...	...
Female	7.8	...	...
By age group:			
15-49	6.2	5.9	...
Immunization rate (percent of children ages 12-23 months; 2000-2005)			
Measles	35.0	63.6	65.0
DPT 2/	40.0	64.8	65.8
Child malnutrition (percent under 5 years; 2000-2004)	24.0	29.0	39.0
Net primary enrollment rate (percent of age group; 1990-1995)			
Total	52.0	64.0	79.0
Of which: Male	63.0	68.0	82.0
Female	41.0	60.0	75.0

Sources: World Bank (Economic and Social Indicators, C.A.R. 2006 MDG Report, World Development Indicators), IMF UNICEF and UNAIDS, Report on the global AIDS epidemic 2006.

1/ Population figures refer to the region, not the average.
2/ In 2006, this ratio has increased to more than 80 percent for the C.A.R.

[9] For example, the poorest 20 percent of households benefit from only 8 percent of public expenditure on primary education; implicit subsidies for public utilities (water and electricity) are not pro-poor; in addition, while private and/or community education provision has increased sharply in the last few years, the quality is generally poor and more than 40 percent of teachers are community teachers, untrained and hired directly by families.

D. Policy Track Record and Reform Agenda

13. **Since mid-2005, the C.A.R. has made significant progress in strengthening macroeconomic stability.** The economy has gradually recovered despite a difficult external environment, political and social instability, high world oil prices, and a low level of foreign assistance. Real GDP grew by 4.1 percent in 2006, supported by traditional exports (diamonds and timber), increased activity in the service sector, and to a lesser extent public investment. Inflation has declined recently; the twelve-month rate through June 2007 was 1.6 percent. Implementation of macroeconomic and structural policies has generally been satisfactory, and the staff of the Fund has recommended completion of the first review under the PRGF arrangement. The government's fiscal objectives have been achieved through tight control over expenditures, which is needed to address the unpredictability of programmed aid inflows.

14. **A key element of the authorities' program is to regularize relations with domestic creditors.** The government is taking steps to reduce domestic debt amounting to about 24 percent of GDP (of which less than half is due to domestic payments and salary arrears). While settling these arrears and preventing an accumulation of new arrears remain a challenge, the government has finalized the external audit of domestic arrears and will prepare a plan for their settlement in consultation with the private sector.

15. **The authorities have made efforts to improve governance and transparency.** The C.A.R. ranks well below the average for Sub-Saharan Africa in all of the World Bank Institute's governance indicators, particularly those measuring government effectiveness and rule of law, where the C.A.R. ranks in the bottom 10 percent worldwide.[10] Progress on governance has nonetheless, been achieved in the past year, particularly on the transparency of public financial management. The government has published fiscal, economic and judicial information on its website. Efforts have been made to tackle commercial and financial crime and to defend the state's interests through the government's Legal Agent (a financial unit in the Ministry of Justice in charge of prosecuting commercial and financial crime); the work of this unit, however, is being hampered by a lack of resources. On the judicial front, the government plans to strengthen institutional capacity, promote broader civil society participation and provide transparent, equitable and accessible judicial services in courts. To that effect, the government is preparing, with the support of the donor community, a national roundtable on justice to help prepare a modernization plan for the justice sector. The authorities also intend to adopt the OHADA business laws: a regional legal framework common to 16 African countries with a French legal tradition.[11]

16. **The authorities have made some progress in revenue mobilization by enhancing tax and customs administration.** Efforts to improve domestic resource mobilization have

[10] See D. Kaufman, A. Kraay and M. Mastruzzi, "Governance Matters VI: Governance Indicators for 1996-2006".
[11] OHADA is the "*Organisation pour l'Harmonisation en Afrique du Droit des Affaires*" (Organization for the Harmonization of Business Laws in Africa).

focused on raising taxpayer compliance through the introduction of taxpayer identification numbers, increasing the frequency of audit and control, particularly of large taxpayers, and strengthening the oversight of eligibility of companies for a flat tax. In addition, the value-added tax rate and the tax on petroleum products were increased in 2006. Finally, a reform of the customs administration is ongoing.

17. **A number of measures have been pursued to enhance the control and monitoring of public spending.** These include efforts to strengthen the budget process through a new organic budget law and a new budget nomenclature to track revenue and expenditure from commitment to payment on a functional basis. Moreover, the authorities are committed to civil service reform, with a view to enhancing the efficiency and effectiveness of public spending, containing the civil service payroll, and improving service delivery. As a first step, they have improved the monitoring and control over billing and wage payments by verifying the validity of diplomas, eliminating fraud and duplication in the public sector payroll and establishing a unified database for civil servants and military personnel. Treasury management has been improved through the closure of a large number of commercial bank accounts, as well as restricted use of cash advances, and limiting the issuance of non-cash backed treasury checks. With assistance from IDA, a Country Financial Accountability Assessment has been completed and an action plan will be finalized by end-2007.

18. **Public procurement is also being reformed**. Current procurement rules are inconsistent and non-transparent, and as a result only a small fraction of spending is executed through the public procurement system. With IDA assistance, the government has recently undertaken a comprehensive review of the public procurement system and prepared a detailed action plan for reform. In the interim, the government will ensure that existing bidding procedures follow basic procurement standards and are competitively awarded and publicly announced. In the medium term, the government plans to revise and adopt a new procurement code and accompanying regulations (standard bidding documents, guides and user manuals) and then establish, equip and staff the new procurement institutions created by these texts.

19. **The authorities have begun to engage in discussions with the private sector, with a view to removing the obstacles to private sector development.** In March 2006, a permanent framework for consultation with the private sector was established and the government proposed the creation of a one-stop window in the Chamber of Commerce. From the point of view of the private sector, the framework has not yet fulfilled its function and tensions over recent policy decisions exist in a few sectors.

20. **At the sectoral level, the authorities are pursuing measures to address the main obstacles to growth and poverty reduction.**

- In the **forestry sector,** the government is revising the legal and regulatory framework (with assistance from the French Development Agency and IDA) to spur sustainable exploitation with respect to the environment and communities, in particular, improve transparency and increase domestic value added and tax collection. The government is committed to ensuring compliance with the new forestry code and has banned the use of special forestry harvesting permits, which have enabled foresters to harvest without being in compliance with the code. In 2007, the government has launched invitations to tender remaining forest harvesting licenses, although some regulations called for under the new forestry code are not yet in place.

- A new code was adopted in the **mining sector** in 2004, but weaknesses related to the titling process and discretionary actions by the government have in practice limited its effectiveness. The government has committed to revise the code and enhance governance in the sector, including through adopting a standard-agreement template for new mining concessions reflecting best practice, implementing the Extractive Industries Transparency Initiative (EITI), and undertaking an audit of the mining sector (with IDA assistance) to clarify regulations, address weaknesses in the mining code, and develop measures to enhance the development of the sector and its institutions (including through strengthening the collection, use, and reporting of sector revenue).

- The government is now pursuing reform of the **oil sector**, including the storage, distribution, and pricing of petroleum products, with a view to ensuring quality product supplies at affordable prices and securing the country's strategic supplies. However, the new laws presented earlier this year led to tensions between the government and its main supplier. Technical assistance is required in this area, including a full review of the existing legal and regulatory framework to ensure its safe and sound operation under these new laws.

- In the **financial sector**, the authorities will build on the benefits of membership in the CEMAC and the strength of its financial institutions, by pursuing a national strategy to facilitate access to credit and remove obstacles to financial intermediation. The strategy is guided by the recent regional Financial Sector Assessment Program and will be further refined by a forthcoming country module, expected during the fourth quarter of this year. The strategy involves efforts to strengthen commercial banks' balance sheets by addressing non-performing loans attributed to past borrowing by state-owned enterprises and to reform the regulatory and legal framework, to strengthen governance, and to reduce lending risks. Recently, the government paid government-guaranteed liabilities of wholly state-owned enterprises to a troubled commercial bank to facilitate its recapitalization by a private investor.

- Improving basic infrastructure is a key development priority for the C.A.R., requiring actions on a number of fronts. In the **transport sector**, the government plans to rehabilitate rural tracks and roads in agricultural areas, open up isolated areas of the country, and develop air transport. As part of this effort, in June 2006 IDA approved the CEMAC Transport and Transit Facilitation project, which includes paving part of the important Douala-Bangui corridor.

- In the **telecommunications sector**, the government is finalizing a Telecom Law, which will guide regulations in this fast-developing sector. The Central African Backbone (CAB) project which could be operational as early as mid 2009, could also accelerate sector growth and reduce the cost of international connectivity for this landlocked country. However, governance problems in the sector linger and the financial situation of SOCATEL (the public telecommunications company) remains weak.

- In the **energy sector**, the state of infrastructure is a major concern. Final consumption of energy is satisfied mainly by wood (about 88 percent) while only 3 percent of the population has access to electricity. In Bangui, major disruption is a significant risk because of the dilapidated state of turbines in the hydro-electric plants. Financing in the amount of €4 million is available from the French Development Agency to proceed with emergency repairs and maintenance, which should mitigate this risk. A new electricity code was adopted in 2005 to encourage public-private partnership to increase generation capacity and better serve both urban and rural sectors.

- The situation in the **education sector** is bleak. Over a prolonged period, disinvestment has taken place, resulting in the cancellation of school years and a serious deterioration in education indicators; problems also persist with access and poor attendance. Only 62 percent of those who completed primary education when they were young are literate today (compared with 70 percent on average in other African countries). With donors' assistance, the government has prepared an education status report to identify constraints for the reconstruction of the education system. The report points to shortages in human resources due to inadequate recruitment and salaries, a costly and ineffective policy of high repetition rates, and a glaring lack of material resources, coupled with the unfair allocation of these resources across schools, as the key impediments to better outcomes. The government is now developing a strategy, including quantifying and allocating the resources required, with a view to reaching primary education for all.

- In the **health sector,** services have been reduced to a bare minimum as health facilities have deteriorated. They are poorly equipped, lack drugs and consumables, and some have no running water and electricity. Current policies aim to refurbish the sanitation infrastructure, increase the availability and quality of basic health care, reduce infant and maternal mortality, and fight the principal diseases (including malaria, tuberculosis and HIV/AIDS). Some encouraging results have already been recorded. For example, the immunization program has led to a surge in the overall national immunization rate for DPT3 to 80 percent, despite security problems.

III. Medium-to-Long-Term Macroeconomic Framework

21. **The medium- to long-term macroeconomic framework underlying the staffs' assessment of debt sustainability is consistent with the C.A.R.'s PRGF arrangement.** It is based on a modest acceleration of growth supported by a stable political and social situation, which should lead to a durable improvement in business confidence and higher investment. A

critical element in the baseline scenario is the continued reengagement of the international community; without such engagement, long-term prospects for the C.A.R. would be at risk.

Medium-to-Long-Term Macroeconomic Framework
Selected Indicators, 2006-26

	2006	2007	2008	2009	2007-26 (avg.)
	(Annual percentage change)				
National income and prices					
GDP at constant prices	4.1	4.0	4.3	4.5	4.2
GDP at current prices	8.0	6.6	6.9	7.0	6.8
Consumer prices (yearly average)	6.7	3.0	2.3	2.4	2.1
External sector					
Export volume	15.1	14.8	6.1	6.7	7.3
Import volume	11.3	3.4	10.2	4.1	5.0
Terms of trade (U.S. dollar basis)	0.4	-0.5	-1.3	-0.6	-0.1
	(In percent of broad money at beginning of period)				
Money and credit					
Domestic credit	7.5	1.9	...	...	...
Broad money	-4.2	9.2	...	...	...
	(In percent of GDP)				
Central government finance					
Total revenue (including grants)	21.1	15.8	14.1	14.3	15.6
of which: Tax and nontax revenue	9.4	10.6	10.8	11.3	13.3
Total expenditure	14.1	13.3	13.6	13.8	15.9
Overall balance (including grants)	7.0	2.5	0.6	0.5	-0.3
Domestic primary balance 1/	0.4	1.2	1.1	1.1	0.9
External current account balance (including grants)	-2.7	-4.1	-4.8	-4.7	-4.2
Net present value of external debt 2/	469.7	354.0	307.8	280.7	146.5

Sources: Central African authorities; and IMF and World Bank staff estimates and projections.

1/ Excludes interest payments, foreign-financed investment, and grants.
2/ In percent of exports of goods and non-factor services, after traditional debt relief.

- Average **annual real GDP growth** over the period 2007-26 is projected at 4.2 percent. This growth rate assumes the maintenance of security and political stability, improvements to the country's institutional and administrative capacity, and appropriate macroeconomic policies. This environment should lead to an increase in private investment, especially in the forestry, mining and telecommunications sectors. Public investment in infrastructure will help revive the agriculture sector, which dominates economic activity. The projected path of growth assumes the reengagement of the international community and a sustained increase in inflows of foreign assistance.

- **Inflation** is projected to average about 2 percent per annum over the long term, which is below the CEMAC convergence criterion of 3 percent, but in line with the C.A.R.'s historical experience.

- The scenario assumes that the key fiscal objective is to reduce the overhang of domestic debt, implying domestic primary surpluses over the long term, but the overall **fiscal deficit** (including grants) is projected to average 0.3 percent of GDP over the period 2007-26. Tax and non-tax revenue is expected to rise from 9.4 percent of GDP in 2006, to about 15.5 percent at the end of the period, mainly as a result of tax and customs administration reform, a broadening of the tax base, some tax policy measures, and tax buoyancy from sustained growth. Expenditures are expected to rise to about 18 percent of GDP by 2026, with an increase in the share of pro-poor spending in overall outlays. The deficit is expected to be financed by foreign loans on highly concessional terms.

- The external **current account deficit** (including grants) is projected to remain at about 4½ percent of GDP on average over the period 2007-26. The trade balance is projected to improve over time, driven by strong export performance as a result of structural reform and infrastructure investment, which should enhance the competitiveness and diversification of the export base. At the same time, a slight widening of the deficit in the service account (as national income increases), inhibits the further narrowing of the current account deficit over the long term.

- **External grants** are expected to remain the predominant form of financing over the projection period, averaging nearly 60 percent of total external financing—resulting in a grant element of new disbursements (grants and loans) of 54 percent on average. These levels are in line with the Fund-supported program and are comparable to the level of concessionality for other low-income countries coming out of debt distress. This will be essential for the government to finance increased poverty-reducing expenditures in a fiscally sustainable way.

- **Official loan financing** (excluding the IMF) is assumed to be on concessional terms over the projection period, in line with historical experience. IMF loans are expected to be on PRGF terms. Other official loan financing is assumed to be mainly on concessional rates on terms comparable to IDA and the AfDB (95 percent of total). The remaining 5 percent are assumed to be covered by bilateral donors on less concessional terms (with a grant element for new disbursements estimated at about 36 percent).

IV. Possible Assistance under the HIPC Initiative and Debt Relief Analysis

A. Debt Reconciliation Status and Key Assumptions

22. **This analysis of C.A.R.'s external debt as of end-2006 was prepared jointly by the staffs of the IMF and IDA (in consultation with the authorities), based on loan-by-loan data provided by the authorities and by creditors.** Debt figures include public- and

publicly-guaranteed debt (including debt of public enterprises) that was outstanding and disbursed as of December 31, 2006. The reconciliation process was completed in June 2007, with 99 percent of multilateral, bilateral and commercial debt reconciled.[12]

23. **The DSA assumes that the C.A.R. reaches the decision point at end-September 2007 and the floating completion point at end-2009.** While reaching completion point in 2¼ years will be challenging in light of the experience of other post-conflict countries, this assumption reflects the authorities' ambition of implementing the completion point triggers in a timely manner. The interest and exchange rates used in the analysis can be found in Table 1.

B. Structure of External Debt

24. **The C.A.R.'s public- and publicly-guaranteed external debt was estimated at US1.1 billion in nominal terms as of end-December 2006, equivalent to about US856 million in NPV terms**.[13] Multilateral creditors accounted for 63 percent of the total debt (in nominal terms), with IDA and the AfDB respectively, representing 37 and 16 percent of the total. Bilateral creditors accounted for about 32 percent, with Paris Club creditors having a relatively low share (7 percent) (Figure 1 and Table 2). Among non-Paris Club bilateral creditors, the C.A.R.'s liabilities to Taiwan Province of China are the largest (about 9 percent of the total stock), although significant claims are also held by People's Republic of China (3.5 percent) and Serbia and Montenegro (3.2 percent)[14]. Commercial creditors account for the remainder of the external debt stock.

[12] Given that not all public enterprises responded to the request for debt information, there is some likelihood of the existence of as yet unidentified debts.
[13] Legal situation at December 31, 2006.
[14] The authorities have determined that claims are due to the former Serbia and Montenegro, but as yet, the exact amount to each creditor is not known.

Nominal Stocks and Net Present Value of Debt at end-2006 by Creditor Groups

	Nominal Debt Stock 1/		Arrears Stock		NPV of Debt 1/ 2/	
	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total
Total	1086.8	100.0	335.7	100.0	855.9	100.0
Multilateral	686.1	63.1	62.4	18.6	536.7	62.7
IDA	398.1	36.6	0.0	0.0	306.5	35.8
AfDF	169.5	15.6 4/	42.8	12.8	125.5	14.7
IMF	42.1	3.9	0.0	0.0	39.6	4.6
IFAD	34.1	3.1	6.9	2.0	22.9	2.7
BADEA	11.8	1.1	0.6	0.2	13.1	1.5
BDEAC	12.7	1.2	0.7	0.2	12.8	1.5
OFID	9.5	0.9	9.5	2.8	9.5	1.1
EIB	7.7	0.7	1.2	0.4	6.2	0.7
Other 3/	0.8	0.1	0.8	0.2	0.8	0.1
Bilateral	344.6	31.7	222.9	66.4	275.6	32.2
Paris Club:	72.0	6.6	31.8	9.5	47.3	5.5
Other Official Bilateral:	272.6	25.1	191.1	56.9	228.3	26.7
Commercial	56.2	5.2	50.3	15.0	43.6	5.1

Sources: Central African authorities; and Fund and World Bank staff estimates.

1/ Includes arrears.
2/ Base situation for the calculation of HIPC debt relief; assumes traditional debt relief and adds back the grant element of multilateral arrears clearance arrangements. See footnotes 2/ and 3/ in Table 6 for full details.
3/ Represents dues in arrears to the Universal Postal Union and the Pan-African Postal Union, which are agencies, respectively, of the United Nations and the African Union.
4/ Under the AfDB's PCCF arrears clearance arrangement approved in December 2006, the arrears due to the AfDB are backed by pledges from donors and have since either been received or are pending disbursement when the country reaches HIPC decision point.

25. **Largely due to political and economic instability over the period 2001-05, the C.A.R. accumulated payments arrears to nearly all of its creditors.** Since then, however, the C.A.R. has cleared or signed arrears rescheduling agreements with IDA, AfDB, BADEA, EIB and BDEAC, and has initiated negotiations with other multilateral creditors (Box 1). Moreover, US36.1 million of debt to Paris Club creditors (of which US31.8 million were arrears) was restructured in the context of the April 20, 2007 rescheduling agreement. In this context, the C.A.R. has agreed to seek comparable treatment from other bilateral and commercial creditors. As of end-2006, about 31 percent of the C.A.R.'s external debt remained in arrears, of which US62 million were owed to multilateral creditors, US223 million to bilateral creditors, and US50 million to commercial creditors.

Box 1. External Arrears Clearance

Agreements completed

Arrears to IDA were cleared on November 28, 2006 through a bridge loan from the French Development Agency. This loan was in turn repaid from the proceeds of a grant approved by IDA's Executive Directors in November 2006.

The AfDB announced in December 2006 that it had reached an agreement to clear the C.A.R.'s arrears. The operation will be paid by the AfDB's Post-Conflict Country Facility (49.5 percent) and the C.A.R.'s development partners (50.5 percent).

BADEA signed an arrears clearance agreement with the C.A.R. in November 2005 leading to a rescheduling of total arrears (US12.3 million at the time) over a period of 13 years with no grace period.

BDEAC signed an arrears clearance agreement with the C.A.R. in March 2005 that involved rescheduling arrears and the remaining debt service of two existing loans (a third loan, to a state-owned enterprise, was not included in the restructuring and remains in arrears). However, in November 2006, BDEAC's board of directors approved a suspension of debt service payments under the new loan, effective from December 2006 until the completion point.

The European Commission has signed an agreement with the C.A.R. for a budget support operation, entirely on a grant basis, that covers the clearance of arrears accumulated to the European Investment Bank up to the decision point, which are estimated at US1.4 million.

Paris Club creditors agreed on April 20, 2007 to restructure US36.1 million of the C.A.R.'s debt, of which US31.8 million were principal and interest arrears. Considering the C.A.R.'s severely limited repayment capacity, creditors agreed to defer the repayment of arrears and moratorium interest until after the expected completion point date in late-2009 (reducing debt service by US36.1 million). As part of its agreement with the Paris Club, the C.A.R. has agreed to seek comparable treatment from other bilateral and commercial creditors.

Agreements in progress

The authorities have had discussions with IFAD and the OPEC Fund. These creditors have agreed to clear the C.A.R.'s arrears in the context of the HIPC Initiative.

C. Possible Assistance Under the HIPC Initiative

26. **The stock of the C.A.R.'s external public and publicly-guaranteed debt outstanding at end-December 2006, after assuming full delivery of traditional debt relief, is estimated at US856 million in NPV terms.**[15] This is equivalent to 470 percent of

[15] This stock refers to the base situation for the calculation of HPC debt relief and differs from the legal situation at end-December 2006 as follows: (i) it includes debt relief under a hypothetical stock-of-debt operation on Naples terms at end-2006 on Paris Club debt, and comparable treatment by other official bilateral and commercial creditors ("traditional debt relief"); and (ii) it includes the concessional portion of, as well as any repayments under, multilateral arrears clearance operations that took place before end-December 2006.

exports of goods and services. The C.A.R. thus qualifies for debt relief under the HIPC Initiative's export window, having an NPV of debt-to-exports ratio well above the 150 percent threshold.

HIPC Initiative Assistance Under a Proportional Burden-Sharing Approach[1/]
(In millions of U.S. dollars, unless otherwise indicated)

	Debt Outstanding (NPV terms) end-2006 (A)	Debt Outstanding (NPV terms) Post-HIPC (B)	Reduction of the NPV of Debt due to HIPC (A-B) /2
Total	856	273	583
(as percent of exports of goods and non-factor services)	470	150	320
of which:			
Multilateral	537	171	365
Bilateral	276	88	188
Paris Club:	47	15	32
Other Official Bilateral:	228	73	155
Commercial	44	14	30
Memorandum Items:			
Common reduction factor (percent) 2/	68		
Exports of Goods and Non-Factor Services 3/	182		

Sources: Central African authorities; and IMF and World Bank staff estimates and projections.

1/ Includes a hypothetical stock-of-debt operation on Naples terms (end-December 2006) and comparable treatment by other official bilateral creditors.
2/ Each creditor's NPV reduction in percent of its exposure at the reference date, end-December 2006, calculated as (A-B)/A.
3/ Based on the three-year backward-looking average (2004-2006).

27. **Reducing the C.A.R.'s NPV of debt-to-exports ratio from 470 percent to 150 percent would require HIPC debt relief of US583 million in NPV terms.** This implies a common reduction factor of 68 percent. Based on proportional burden sharing, multilateral assistance would amount to US365 million (in NPV terms) and bilateral and commercial assistance to US218 million (also in NPV terms). The potential amounts and modalities of debt relief for each type of creditor are discussed in Box 2, while Figure 2 shows the distribution of projected costs among creditors.

28. **All multilateral and Paris Club creditors, as well as some bilateral creditors, have indicated their willingness to provide debt relief to the C.A.R.** (Table 7). Nevertheless, some multilateral creditors, accounting for less than 3 percent of the C.A.R.'s total debt, might be unable to deliver their full share of HIPC debt relief due to institutional constraints. In addition, although the C.A.R. will seek debt relief from non-Paris Club bilateral and commercial creditors comparable to that given by the Paris Club, experience suggests a substantial risk of non-participation by some of these creditors. Overall, financing assurance from creditor's accounting for 68.2 percent of the total HIPC Initiative assistance to the C.A.R. have been obtained.

Box 2. Amounts and Assumed Modalities of Delivery of HIPC Debt Relief by Creditor

The modalities and timing of the delivery of the HIPC Initiative debt relief will be decided at the decision point by each creditor, taking into account their financial and legal constraints. Nevertheless, in order to assess the impact of the HIPC Initiative assistance the following working assumptions have been made:

IDA's assistance would amount to approximately US209 million in NPV terms. Of this total, an estimated US66 million (in NPV terms as of the decision point) has been delivered through the clearance of arrears. Immediately following the approval of the decision point by the Boards of IDA and the IMF, IDA will begin to provide the remaining assistance in the form of debt-service reduction on debt outstanding and disbursed as of end-December 2006.[16] Annual debt service is estimated to be reduced by 63 percent starting at the decision point. (Table 8). Total debt service reduction from IDA would amount to about US229 million in nominal terms.

IMF assistance is estimated to amount to US27 million in NPV terms. HIPC-eligible debt service consists of PRGF repayments associated with disbursements under the 1998 PRGF arrangement and those associated with the January and (potential) September 2007 disbursements under the PRGF arrangement approved by the IMF Board in December 2006. (Table 9).

AfDB assistance would total US85 million in NPV terms, including US43 million provided through the recent arrears clearance operation. The remaining relief is assumed to be provided following the decision point through an 80 percent debt service reduction until the NPV target has been reached.

IFAD's assistance would total US16 million and is assumed to be provided through a concessional rescheduling of arrears as well as up to 100 percent debt service reduction commencing at the completion point until the NPV target is achieved.

The **OPEC Fund for International Development** (OFID) is assumed to deliver HIPC debt relief in the amount of US6 million through a concessional rescheduling of arrears using resources from a Commodity Import Program. At the completion point, the remaining debt would be restructured so as to achieve the NPV reduction target.

A share of **BADEA's** assistance (estimated at US9 million in NPV terms) has been delivered through the arrears clearance operation. The remaining assistance is assumed to be delivered at the completion point through a concessional rescheduling of outstanding obligations.

BDEAC is delivering interim relief through a moratorium on debt service payments. Further relief is assumed to be delivered at completion point through a pre-payment of the loan on concessional terms. HIPC relief from BDEAC amounts to US9 million.

The **EIB's** assistance, which amounts to US4 million, is assumed to take the form of a concessional clearance of arrears shortly after the decision point, and 100 percent debt service reduction starting at the decision point until the target NPV reduction is achieved.

Paris Club bilateral creditors are assumed to provide a flow rescheduling on Cologne terms—i.e., a 90 percent NPV reduction—and after the C.A.R. reaches the decision point, with delivery of the remaining required assistance at the completion point through a stock-of-debt operation. The rescheduling on Cologne terms is expected to translate into US32 million in relief in NPV terms.

Non-Paris Club official bilateral creditors and **commercial** creditors are assumed to provide relief on terms similar to those granted by Paris Club creditors.

[16] IDA interim assistance is generally limited to 1/3 of its share of HIPC debt relief in NPV terms; in the case of the C.A.R., this limit is projected to be reached in 2012.

29. **Some bilateral creditors have already started providing debt relief to the C.A.R.** In addition to the Paris Club agreement described earlier, the People's Republic of China cancelled two loans (representing 29 percent of the outstanding stock) in January 2007, while South Africa cancelled 100 percent of C.A.R.'s outstanding debt.

D. Possible Assistance beyond HIPC: MDRI and Additional Bilateral Debt Relief

30. **Upon reaching the HIPC completion point, the C.A.R. will also qualify for additional debt relief under the MDRI.** Three creditors would provide debt relief under the MDRI: IDA, the AfDB and the IMF. These creditors would provide 100 percent debt relief on all debt disbursed prior to their respective cut-off dates (end-2004 for the IMF and AfDB, and end-2003 for IDA) and still outstanding at the completion point after the provision of HIPC assistance. MDRI debt relief (net of HIPC assistance) would lead to a reduction of debt service on debt owed to these institutions of approximately US110 million (in end-2006 NPV terms).

- MDRI debt relief from IDA could amount to about US181 million in nominal terms (US74.5 million in NPV terms as of the decision point date). Debt service reduction from the MDRI is expected to average about US5.3 million per year following the completion point.
- The IMF's debt relief under the MDRI is estimated at about US1.6 million in nominal terms (US1.3 million in end-2006 NPV terms).
- The AfDB's MDRI debt relief could amount to approximately US77.2 million in nominal terms (US34.3 million in 2006 NPV terms), or annual debt service reduction (net of HIPC assistance) averaging US2.1 million.

31. **The European Commission is also expected to deliver debt relief beyond HIPC through its Least Developed Countries (LDC) Initiative**. Eligible credits still outstanding after the full application of HIPC debt relief are expected to be effectively cancelled. Possible assistance on EIB loans amounts to US3.5 million in nominal terms.

32. **Paris Club creditors are expected to provide further relief on a voluntary basis after the completion point**. Additional bilateral relief will be determined on a case-by-case basis at the completion point. Table 12 summarizes additional bilateral relief granted to other HIPCs.

E. Impact of Debt Relief on Debt Ratios and Sensitivity Analysis

33. **The macroeconomic projections used in this analysis reflect the framework detailed in section III above.** On the basis of these projections, in the absence of debt relief, the NPV of external debt-to-exports ratio remain above the HIPC threshold until 2017, while traditional debt relief reduces this ratio to 138 percent by 2014.

34. **The C.A.R.'s external debt would remain above the HIPC threshold even after the application of traditional debt-relief mechanisms** (Table 5 and Figure 3)**.** At end-2006, the NPV of debt-to-exports and debt-to-revenue ratios are estimated at 470 and 580 percent, respectively; without HIPC assistance, these ratios will remain well above the HIPC thresholds in the short- to medium-term.

35. **Assuming the unconditional delivery of HIPC Initiative assistance, C.A.R.'s NPV of debt-to-exports ratio is expected to fall gradually from 150 percent as of end-December 2006, to approximately 66 percent by 2026**. The ratio of debt service to exports is expected to decline from an average of 14 percent (before traditional debt relief during the period 2007-16), to under 10 percent after the delivery of HIPC debt relief.

36. **After delivery of HIPC and MDRI assistance, C.A.R.'s NPV of debt-to-exports ratio is expected to fall significantly to 53 percent the year following completion point** (Table 5). Compared with the projection including only HIPC assistance, this represents a reduction of about 50 percentage points at the expected completion point.

37. **Two scenarios are used to assess the sensitivity of C.A.R.'s external debt indicators to adverse economic and financial circumstances** (Table 6 and Figure 4). These scenarios assume the unconditional delivery of HIPC debt relief at the decision point and differ from the baseline scenario as follows:

- **The first scenario considers the sensitivity of debt burden indicators to new borrowing on less concessional terms.** This is an important scenario given the C.A.R.'s significant financing needs and the challenge of mobilizing highly concessional external resources. In this case, the new loans are assumed to carry a 7 percent interest rate, which is equivalent to bringing the combined grant element of new financing to near-zero (compared with over 40 percent under the baseline). Under this scenario, the NPV of debt-to-exports ratio deteriorates substantially compared to the baseline, but remains below 150 percent and on a declining trend throughout the projection period. The debt service to revenue ratio deteriorates more markedly compared to the baseline, averaging 10 percent between 2017 and 2026 compared with 3 percent under the baseline. The persistent deterioration of debt ratios under this scenario underscores the importance of securing external resources on highly concessional terms and avoiding non-concessional borrowing to reduce the likelihood of a return to debt distress.

- **The second scenario considers the sensitivity of these projections to significantly lower export growth.** Given the C.A.R.'s reliance on a few commodities for export revenue, this scenario considers the evolution of the C.A.R.'s debt ratios under more pessimistic assumptions for the price of those commodities. In this scenario, the value of exports is assumed to grow by an average of 2.1 percent per annum, which is about 4.5 percentage points below the baseline. Lower export growth is assumed to reduce government revenue through lower output. A slowdown in export growth would lead to a substantial deterioration of the debt ratios, with the NPV of debt-to-exports rising in the long-term, even after the full delivery of HIPC assistance. The ratio of debt service-to-exports also increases, reaching 7 percent by the end of the projection period. Given the greater deterioration of debt ratios under this scenario, the sensitivity analysis underscores the importance of improving institutions and diversifying exports to maximize the benefits of HIPC debt relief towards debt sustainability.

V. The Floating Completion Point

A. PRSP Process

38. **The government prepared an interim-PRSP in January 2001 prior to the conflict.** The I-PRSP was participatory in nature, drafted by a technical committee in collaboration with representatives from employers' associations, trade unions, and local NGOs. The Joint Staff Assessment took note of the need to address weaknesses, including prioritization of policy objectives and monitoring and evaluation of outcomes. But the finalization of the PRSP was interrupted by political instability and conflict.

39. **The new government has re-launched the preparation of the full PRSP, presented a draft to the Ministerial Council in June 2007 and circulated this draft to domestic and external partners ahead of the donor roundtable in Brussels in late-June.**[17] Significant donor support has been mobilized to help the government complete the PRSP. Thematic workshops on security, poverty and sector issues were organized in March and April 2007 to galvanize local support and strengthen ownership. The government has prepared a macroeconomic framework, pursued work on the poverty profile and designed a monitoring and evaluation system. The full PRSP will be presented shortly and is the focal point for an upcoming donor roundtable planned for October 2007.

40. **The government's priorities emerging from the draft PRSP are to (i) consolidate peace and security; (ii) improve governance and institutional and administrative capacity; (iii) promote macroeconomic stability and economic growth; and (iv) improve access to essential services and infrastructure.** These pillars are aligned with the priorities the government had selected in the ESPF prepared in 2006 that paved the way for donors' reengagement with the C.A.R. Achieving these objectives will be a challenge given the ongoing security issues as well as the C.A.R.'s financial constraints, namely a low tax revenue-to-GDP ratio and low inflows of official assistance, in addition to a heavy debt burden at present. Thus, the C.A.R. will need significantly higher inflows of official foreign assistance, beyond HIPC debt relief, to support the government's efforts to implement its PRSP and ensure sustained economic development.

[17] In 2006, the Government prepared an Economic and Social Policy Framework (ESPF) to lay out its reform plans over the following 12-18 months, as well as a Transitional Results Matrix to guide support from its development partners.

B. Triggers for the Floating Completion Point

41. **IDA and IMF staffs have reached understandings with the authorities on the completion point triggers.** The triggers are summarized in Box 3 and further discussed in Annex I, which describes specific policy measures to be implemented for a satisfactory achievement of the triggers. These triggers were formulated in consultation with the authorities, and incorporate the views expressed by Executive Directors during the discussions of the preliminary HIPC document. The measures, which receive ongoing or planned financial support from the donor community, form part of the government reform agenda as initially set forth in the Government's policy declaration to Parliament (August 2005), further developed in the Economic and Social Policy Framework (August 2006), and now being incorporated into the full PRSP. In addition to the standard triggers on the PRSP and macroeconomic stability as evidenced by the satisfactory implementation of the PRGF program, there are policy measures related to enhancing governance, transparency, and public financial management, civil service reform, structural reform in growth-critical areas (mining and forestry), and improving some social indicators and debt management. These triggers are specific, monitorable, and support the economic and social policies laid out in the draft PRSP, in particular, to enhance transparency and public accountability, and improve the business climate as well as the living conditions of the population.

42. **The triggers, as well as the government's reform agenda more broadly, have been informed by substantial analytical work.** Since 2003, consultations and studies have been performed with and by: (i) domestic stakeholders, through sectoral consultations in mining and forestry, security, legal and rural sectors, as well as a participatory poverty analysis; and (ii) international donors, on public financial management (EU, IMF, France, and IDA–in particular a CFAA), procurement reform (World Bank Country Procurement Issues Paper), trade policy (World Bank Diagnostic Trade Integration Study), structural reforms in mining, forestry and telecommunication, as well as an education sector country status report (CSR). Implementation of key aspects of this reform agenda are also being supported technically and financially by international donors, in particular IDA (LICUS Trust Fund and the RIBSUP), the AfDF, the EU and the IMF.

43. **Governance and transparency** will be enhanced through triggers related to the asset disclosure of senior government and public officials and to modernization of the regulatory and reporting framework in the forestry and mining sectors. To increase public-sector accountability and enhance public confidence, the government has proposed extending the asset requirement declaration to senior public servants and enforcing the existing requirement for senior government officials. The triggers requiring the adoption of a new forestry code and a standard-form agreement for mining activities (with donor assistance) will ensure that these two sectors continue to provide a strong backbone for the economic growth, as a source of much needed foreign direct investment, export earnings, and fiscal revenue.

44. **Public financial management** will also contribute to improved governance and transparency and will be enhanced through improving the formulation, execution, and monitoring of public spending; implementing a new payroll management system; establishing procurement procedures in line with international best practices; and undertaking a civil service reform. In addition, public debt management will be enhanced by the regular, timely, and comprehensive reporting of external (and domestic) debt data.

45. Some critical **social sector indicators** should improve with increased resources provided in this area. Triggers in the education sector call for the recruitment of additional teachers[18] and measures to reduce the repetition rate at the primary level; while triggers in the health sector call for sustained DPT3 immunizations, the distribution of impregnated mosquito nets to combat malaria, and the social marketing of condoms to prevent the spread of HIV/AIDS.

[18] Including those with a "scholarship teacher" status (*boursiers d'enseignant).*

Box 3. Triggers for the Floating Completion Point

PRSP: Preparation of the PRSP through a participatory process and satisfactory implementation of its recommended actions for at least one year from the date the document is approved by the Cabinet, as evidenced by a PRSP Annual Progress Report submitted by the government to the satisfaction of IDA and the IMF.

Macroeconomic stability: Maintenance of macroeconomic stability as evidenced by satisfactory implementation of the PRGF arrangement.

Transparency: Satisfactory implementation of (i) the provision of articles 44 and 75 of the Constitution linked to asset declaration and disclosure by the Prime Minister, Members of the Government and Members of the Constitutional Court; (ii) a new decree extending the obligation of asset declaration and disclosure to senior public enterprise officials and some key senior civil servants.

Structural reform: Improve the regulatory oversight and reporting framework through:
Forestry sector: (i) adoption by Parliament of a satisfactory new forestry code and issue of some key ministerial decrees on its implementing regulations, and their satisfactory implementation; and (ii) undertaking an awareness campaign for communities and the establishment of a standing public information system.
Mining sector: (i) publication on the government's internet site of the report of the Extractive Industries Transparency Initiative (EITI) administrator on mining revenue starting from 2006; and (ii) adoption by Presidential decree of a satisfactory standard-form agreement for mining (in conformity with current international best practices) and adoption by Parliament of satisfactory amendments to the mining code to ensure their consistency.

Public financial management: Improve the effectiveness, transparency, and accountability in public financial management, particularly through: (i) preparation and submission to Parliament of the budget using the new nomenclature; (ii) satisfactory implementation of a new expenditure tracking system from commitment to authorization (using the new budget nomenclature) within the General Budget Directorate; (iii) satisfactory implementation of the new payroll management system; and (iv) adoption by Parliament of a satisfactory new procurement code and the start of its satisfactory implementation.

Civil service reform: Begin civil service reform by (i) the adoption by the Cabinet of a satisfactory new organic framework consistent with the PRSP objectives, based on organizational audits; and (ii) the submission to the inter-ministerial council of satisfactory new rules and regulations for civil servants with a corresponding compensation and performance assessment system.

Public debt management: Improve public debt management through (i) the establishment by the Debt Management Unit (*Direction de la Dette*) of satisfactory procedures for, and maintenance of, an accurate, comprehensive, and secure database of public- and publicly-guaranteed debt (domestic and external), and (ii) satisfactory implementation of periodic publication of public- and publicly-guaranteed debt data (stocks, debt service projections, and key debt ratios) within six months after the end of the fiscal year.

Social sectors and HIV/AIDS:
Education: (i) at least 750 additional teachers will be teaching at the primary level compared to 2006-07 levels; and (ii) implementation of educational and administrative measures making it possible to achieve a repetition rate of less than 20 percent at the primary level in areas where schools are operating normally.
Health: (i) keep DPT3 vaccination rates at 80 percent or higher; and (ii) distribute at least 300,000 treated mosquito nets.
HIV/AIDS: improve prevention by increasing the social marketing of condoms (proxied by the amount of imports) to an annual level of at least 10 million.

C. Monitoring Poverty-Reducing Expenditures and Completion Point Triggers

46. **The government is committed to ensuring that expenditures are aligned with the implementation of the PRSP.** Since until recently the C.A.R. has been servicing only a small part of its debt, the fiscal impact of debt relief under the HIPC Initiative and MDRI will be correspondingly limited. Indeed, the C.A.R. will need to service its external debt in a timely manner to ensure that the recent reengagement and support from the international community continues. HIPC Initiative debt relief is nevertheless essential to the sustainability of this reengagement, which will ultimately support an increase in poverty-reducing expenditures.

47. **The government intends to orient spending to fund priority expenditures identified in the draft PRSP (Box 4).** These poverty-related programs and projects—some of which are included in the triggers—will be financed with resources from the PRGF, IDA's ongoing DPO, support under LICUS, and assistance from other donors. Other external sources would help finance specific sector programs, such as the PARPAF (forestry sector), the Global Fund (HIV/AIDS), UNICEF (immunization program), and the IDA-financed Multi-sectoral HIV/AIDS, Health, and Education Emergency Support Project. Ongoing technical assistance already provided by IDA, IMF, AfDB and other donors will be important to assist the C.A.R. in implementing the completion point triggers.

48. **Tracking of expenditures through the budget chain will be facilitated by the new nomenclature, which the government is now preparing.** The nomenclature will include a detailed classification of public expenditure by destination, function and nature and hence allow the tracking of poverty-related expenditure. The authorities will gradually put in place a management information system to allow expenditure tracking from commitment to payment—the trigger on expenditure tracking represents a key step in this regard. With assistance from the AFD under the ARCAGE project, computerization of treasury operations at the central level has started. A reform of public expenditure execution procedure will be adopted by Cabinet in October 2007. The objective is to establish a networked system linking various departments involved in budget processing, including the commitment control department. This will be focused at the level of the Direction Generale du Budget.

49. **Pending these improvements, a basic monitoring mechanism for tracking expenditures has been designed and will be operational in 2008.** A system will be introduced in at least three key ministries (including health and education), permitting the monitoring of budget lines at various stages of the expenditure cycle and using existing expenditure classifications, the results of which will be presented periodically to civil society and the donor community. This will be assisted by a Public Expenditure Review in collaboration with IDA, which will help design a Public Expenditure and Financial Accountability plan for tracking poverty-reducing expenditures.

Box 4. Medium-Term Expenditure Priorities

Health

Increase availability of health care services in all regions of the country.
Improve the availability of drugs, immunization programs, and prevention campaigns against malaria.
HIV/AIDS and tuberculosis prevention and treatment.

Education

Increase resources to primary education, with the objective of attaining 100 percent enrollment of universal basic education.
Decrease repetition and drop-out rates.
Build and enhance maintenance of public schools and educational facilities, particularly in rural areas.
Provision of textbooks and teaching materials.
Implement a school feeding program.

Infrastructure development

Rehabilitate important infrastructure destroyed or damaged during the conflict.
Upgrade infrastructure, including rural roads.
Strengthen technical departments and regulatory bodies.

Rural infrastructure development

Develop micro financing facilities to support acquisition of technical equipment and machinery by farmers.
Improve access to potable/safe water and provision of rural electricity.

Public finance management and governance

Finance a results-based monitoring and evaluation system, as a management tool for efficient public resource utilization.
Finance judicial system reform.
Strengthen democratic institutions (Constitutional Court, Parliament, "*Mediature de la République*", *Comité de Suivi des Actes du Dialogue National (CSADN))*.
Develop and implement an anti-corruption strategy.

50. **IDA and IMF staffs will work together closely to monitor the completion point triggers, with each institution leading on issues where its staff has primary competence.** IMF staff will take the lead in monitoring macroeconomic stability and anchoring fiscal sustainability. IDA staff will have principal responsibility for monitoring the triggers on forestry and mining, debt management, public financial management as well as those pertaining to economic and social development. Also, IDA staff—in cooperation with IMF staff—will monitor progress in the preparation and implementation of the PRSP. IMF and IDA staffs will monitor jointly the triggers on public expenditure tracking.

D. The Authorities' Views

51. **The authorities welcome the opportunity to reach the HIPC decision point, as the only means to alleviating their unsustainable external debt burden.** In their view, this debt burden draws scarce public resources away from the country's vast needs and prevents a scaling up of aid inflows that is required to restore the economic infrastructure and promote growth-enhancing and poverty-reducing social policies. They emphasize the current

predicament of the country, with a budget that provides only for minimal government services, and the lack of basic health care, potable water, sanitation facilities, and electricity for the majority of the population, and the impact of these factors on the fragile security in the country.

52. **The authorities stress that with strong program ownership, they hope to reach the completion point as soon as possible**. They recognize the limited resources provided under interim-HIPC debt relief, partly because the C.A.R. has not been servicing its debt to the majority of creditors. Also, they recognize the importance of continuing strong relations with the international community, which is a critical source of financial and, importantly, technical assistance. Indeed, the smooth and expeditious implementation of their PRSP and the HIPC triggers will depend upon scaled up aid inflows and rapidly improving institutional and administrative capacity.

VI. Issues for Discussion

53. **This paper presents a decision point assessment of the C.A.R's qualification for assistance under the enhanced HIPC Initiative**. Executive Directors' views and guidance are sought in particular on the following issues:

- **Qualification and decision point:** Do Executive Directors agree that the C.A.R. qualifies for assistance under the enhanced HIPC Initiative and do they recommend approval of the decision point?

- **Amount and delivery of assistance:** In order to reduce the NPV of debt-to-exports ratio to 150 percent, the total amount of assistance under the HIPC Initiative is estimated at US583 million in NPV terms. Of this amount, IDA would provide total assistance amounting to US209 million in NPV terms, while IMF assistance would total US27 million in NPV terms. Do Executive Directors agree with this assessment?

- **Floating completion point:** Do Executive Directors agree that the floating completion point will be reached when the triggers in Box 3 have been met? Debt relief will be provided unconditionally only when the floating completion point triggers have been met and satisfactory assurances have been received of other creditors' participating under the enhanced HIPC Initiative.

Figure 1. Central African Republic: Composition of Stock of External Debt as of December 31, 2006 by Creditor Group

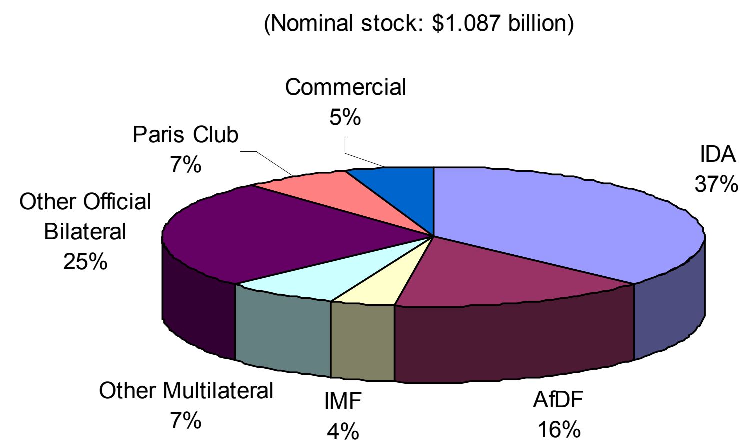


Figure 2. Central African Republic: Potential Costs of the HIPC Initiative by Creditor Group

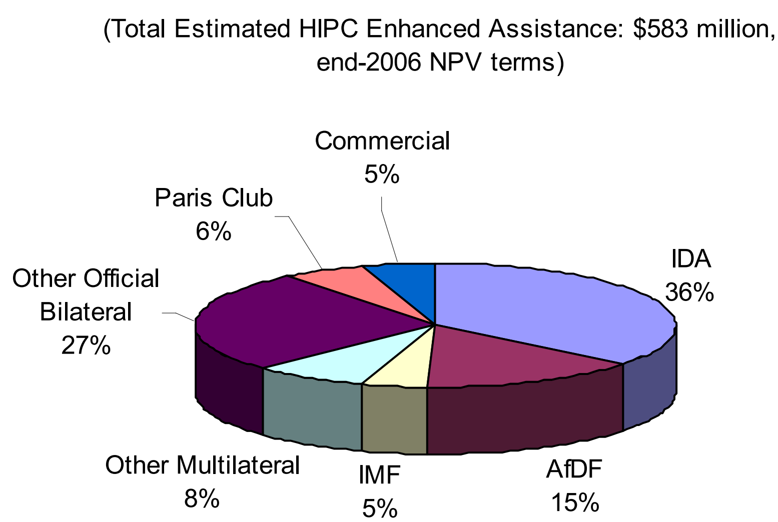
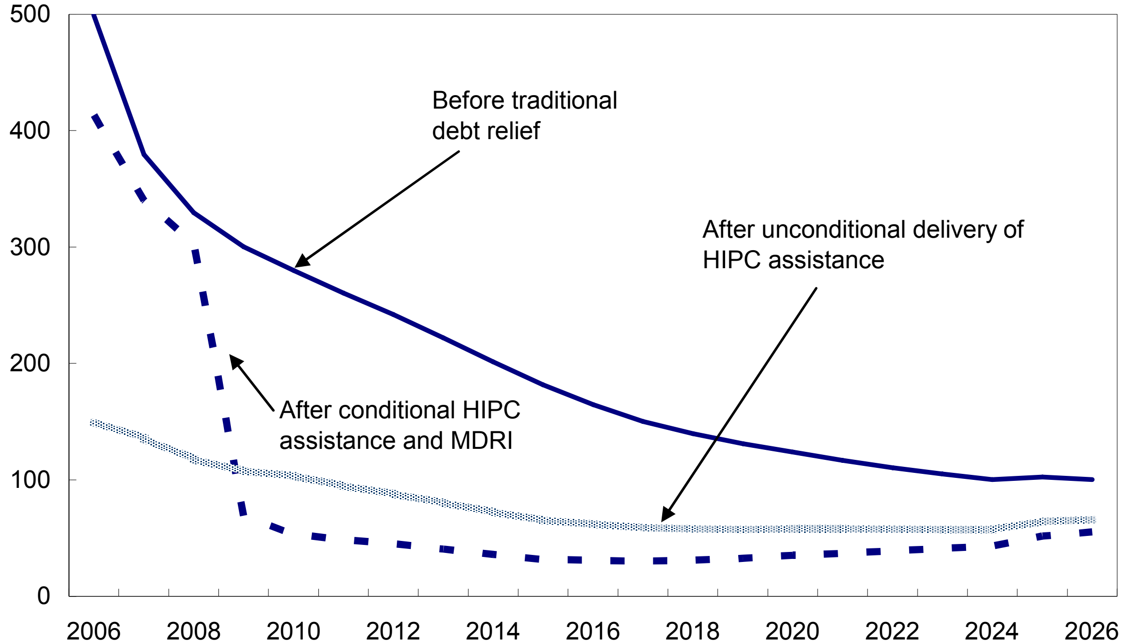
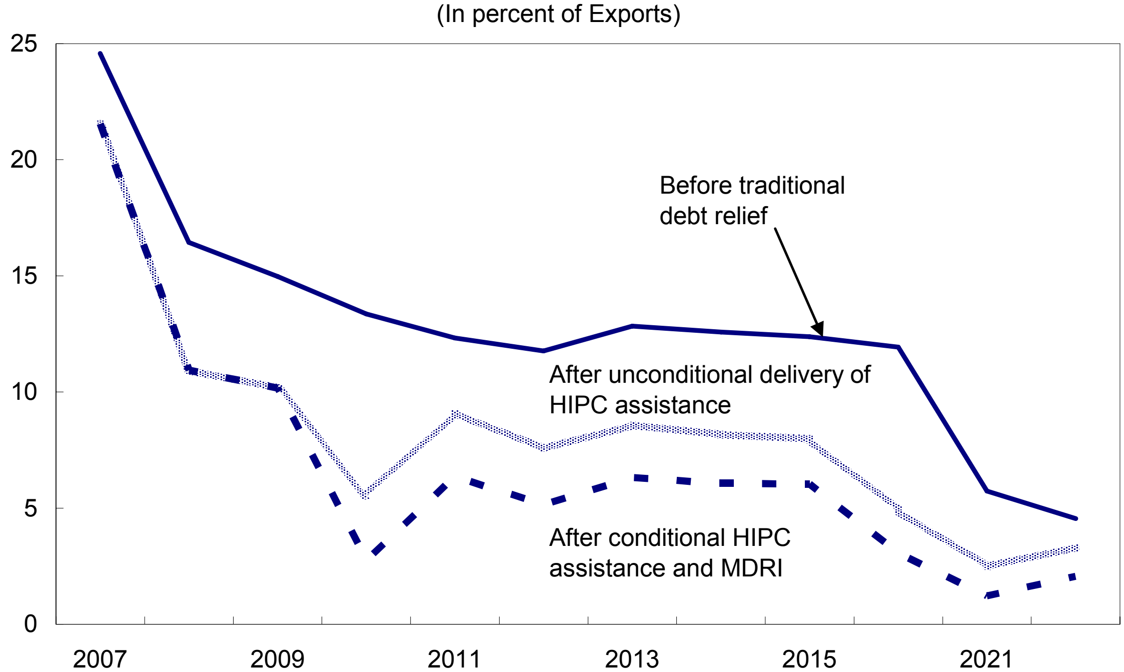


Figure 3. Central African Republic: External Debt Burden Indicators, 2006–2026

NPV of Debt to Exports
(In percent of Exports)

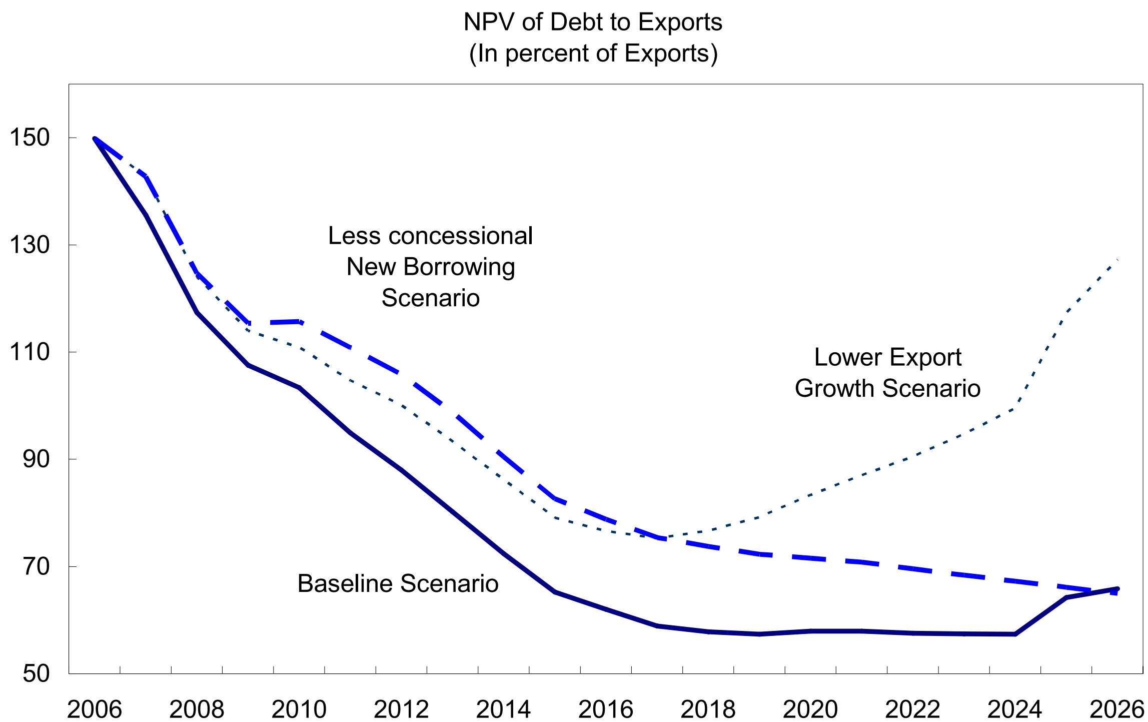


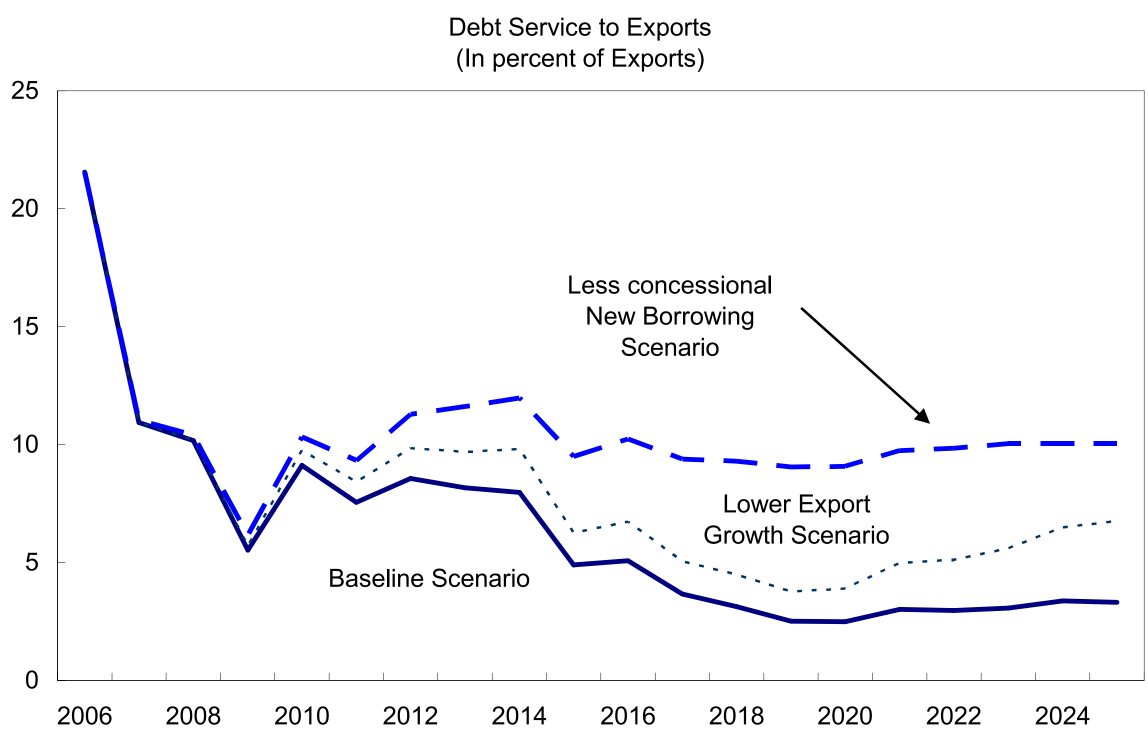
Debt Service to Exports
(In percent of Exports)



Sources: Central African authorities and staff estimates.

Figure 4. Central African Republic: Sensitivity Analysis, 2006–2026





Sources: Central African authorities and staff estimates.

Table 1. Central African Republic: Discount and Exchange Rate Assumptions as of end-December, 2006

Currency Name	Discount Rate 1/ (In percent per annum)	Exchange Rate 2/ (Currency per U.S. dollar)
Canadian Dollar	5.22	1.17
CFA Franc	4.80	498.07
Swiss Franc	3.51	1.22
Chinese Yuan	5.13	7.81
Danish Krone	4.81	5.66
Euro	4.80	0.76
U.K. Pound	5.68	0.51
Japanese Yen	2.57	118.95
Norwegian Kroner	5.05	6.26
Special Drawing Rights	5.13	0.66
Swedish Krona	4.73	6.86
U.S. Dollar	5.89	1.00
Memorandum item:		
Paris Club cutoff date	January 1, 1983	

Sources: OECD; and IMF, *International Financial Statistics* .

1/ The discount rates used are the average commercial interest reference rates over the six-month period piror to end-December 2006, i.e., the end of the period for which actual debt and export data are available.
2/ The exchange rates are expressed as national currency per U.S. dollar at end-December 2006.

Table 2. Central African Republic: Nominal Stock and Net Present Value of Debt as of December 31, 2006 by Creditor Groups

	Legal Situation						Base Situation for Calculation of HIPC Debt Relief 2/ 3/	
	Nominal Debt Stock 1/		Arrears Stock 4/		NPV of Debt 1/		NPV of Debt	
	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total
Total	1086.8	100.0	335.7	100.0	842.6	100.0	855.9	100.0
Multilateral	686.1	63.1	62.4	18.6	469.5	55.7	536.7	62.7
IDA	398.1	36.6	0.0	0.0	242.6	28.8	306.5	35.8 2/
AfDF	169.5	15.6	42.8	12.8 4/	125.5	14.9	125.5	14.7
IMF	42.1	3.9	0.0	0.0	39.6	4.7	39.6	4.6
IFAD	34.1	3.1	6.9	2.0	22.9	2.7	22.9	2.7
BDEAC	11.8	1.1	0.6	0.2	13.1	1.6	13.1	1.5
BADEA	12.7	1.2	0.7	0.2	9.5	1.1	12.8	1.5 2/
OFID	9.5	0.9	9.5	2.8	9.5	1.1	9.5	1.1
European Investment Bank	7.7	0.7	1.2	0.4	6.2	0.7	6.2	0.7
Other 5/	0.8	0.1	0.8	0.2	0.8	0.1	0.8	0.1
Bilateral and Commercial	400.8	36.9	273.2	81.4	373.1	44.3	319.2	37.3 3/
Bilateral	344.6	31.7	222.9	66.4	317.0	37.6	275.6	32.2
Paris Club:	72.0	6.6	31.8	9.5	64.5	7.7	47.3	5.5
Post-cutoff date	8.7	0.8	8.7	2.6	8.7	1.0	8.6	1.0
ODA	2.2	0.2	2.2	0.6	2.2	0.3	2.2	0.3
Non-ODA	6.5	0.6	6.5	1.9	6.5	0.8	6.4	0.7
Pre-cutoff date	63.3	5.8	23.1	6.9	55.8	6.6	38.8	4.5
ODA	0.3	0.0	0.0	0.0	0.3	0.0	0.1	0.0
Non-ODA	63.0	5.8	23.1	6.9	55.5	6.6	38.6	4.5
Austria	6.0	0.6	1.7	0.5	5.1	0.6	3.4	0.4
EEC IDA administered loans	0.3	0.0	0.0	0.0	0.3	0.0	0.1	0.0
France	12.4	1.1	9.2	2.7	12.5	1.5	10.0	1.2
Germany	4.8	0.4	2.8	0.8	4.9	0.6	3.8	0.4
Italy	6.4	0.6	2.4	0.7	5.2	0.6	3.7	0.4
Japan	2.2	0.2	2.2	0.6	2.2	0.3	2.2	0.3
Norway	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.8	0.1	0.2	0.1	0.6	0.1	0.6	0.1
Switzerland	26.6	2.5	7.8	2.3	21.6	2.6	14.9	1.7
United Kingdom	0.8	0.1	0.4	0.1	0.8	0.1	0.7	0.1
United States	11.6	1.1	5.2	1.5	11.3	1.3	7.9	0.9
Other Official Bilateral:	272.6	25.1	191.1	56.9	252.5	30.0	228.3	26.7
Post-cutoff date	225.9	20.8	144.5	43.0	205.9	24.4	203.4	23.8
ODA	183.5	16.9	105.2	31.3	163.9	19.5	162.1	18.9
Non-ODA	42.4	3.9	39.3	11.7	41.9	5.0	41.3	4.8
Pre-cutoff date	46.7	4.3	46.7	13.9	46.7	5.5	24.9	2.9
ODA	45.3	4.2	45.3	13.5	45.3	5.4	24.5	2.9
Non-ODA	1.3	0.1	1.3	0.4	1.3	0.2	0.4	0.1
Algeria	0.2	0.0	0.2	0.1	0.2	0.0	0.2	0.0
Argentina	33.8	3.1	33.8	10.1	33.8	4.0	33.2	3.9
Benin	0.2	0.0	0.2	0.1	0.2	0.0	0.1	0.0
Burkina Faso	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Cameroon	1.4	0.1	1.4	0.4	1.4	0.2	1.0	0.1
China	37.8	3.5	7.1	2.1	25.9	3.1	25.7	3.0
Congo, Rep of	0.4	0.0	0.4	0.1	0.4	0.0	0.2	0.0
Cote d'Ivoire	0.5	0.0	0.5	0.1	0.5	0.1	0.5	0.1
Equatorial Guinea	4.1	0.4	1.0	0.3	3.7	0.4	3.7	0.4
Iraq	5.8	0.5	5.8	1.7	5.8	0.7	0.9	0.1
Kenya	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	21.1	1.9	18.7	5.6	20.9	2.5	18.8	2.2
Libya	14.0	1.3	0.8	0.2	10.1	1.2	10.1	1.2
Mali	0.3	0.0	0.3	0.1	0.3	0.0	0.3	0.0
Mozambique	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Niger	0.4	0.0	0.4	0.1	0.4	0.0	0.4	0.0
Saudi Arabia	17.5	1.6	15.6	4.6	16.7	2.0	16.5	1.9
Senegal	1.3	0.1	1.3	0.4	1.3	0.2	1.0	0.1
Taiwan, Province of China	97.5	9.0	67.2	20.0	94.7	11.2	93.5	10.9
Chad	0.6	0.1	0.6	0.2	0.6	0.1	0.6	0.1
Former Serbia and Montenegro 6/	35.3	3.2	35.3	10.5	35.3	4.2	21.0	2.4
Zimbabwe	0.4	0.0	0.4	0.1	0.4	0.0	0.4	0.0
Commercial	56.2	5.2	50.3	15.0	56.1	6.7	43.6	5.1
Air Afrique	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Air Camair	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accor group	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0
Beptom	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Chronopost	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Credit Lyonnais	5.6	0.5	5.6	1.7	5.6	0.7	5.5	0.6
France Cable Radio	1.3	0.1	0.5	0.1	1.4	0.2	1.4	0.2
Fiduconsult	0.2	0.0	0.2	0.1	0.2	0.0	0.2	0.0
France Telecom	1.4	0.1	1.4	0.4	1.4	0.2	1.4	0.2
French Hospital	11.2	1.0	6.2	1.9	11.0	1.3	11.0	1.3
French Post Office	25.2	2.3	25.2	7.5	25.2	3.0	13.1	1.5
Glavupdk	0.3	0.0	0.3	0.1	0.3	0.0	0.2	0.0
GERBER	5.7	0.5	5.7	1.7	5.7	0.7	5.6	0.7
ICA - Imprimerie Centrafricaine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impressor suisse	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maintex	0.5	0.0	0.5	0.1	0.5	0.1	0.5	0.1
SAUR International	3.2	0.3	3.2	1.0	3.2	0.4	3.2	0.4
TOM SUDE MAINTEX	1.0	0.1	1.0	0.3	1.0	0.1	1.0	0.1
TNT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Central African authorities; and Fund and World Bank staff estimates.

1/ Includes arrears.
2/ Adds back the grant element of the arrears clearance agreements with IDA, AfDB and BADEA, as well as payments on the arrears clearance loans made in 2005 and 2006.
3/ Includes a hypothetical stock-of-debt operation on Naples terms at end-2006 and at least comparable treatment by other official bilateral and commercial creditors on eligible debt (pre-cutoff and non-ODA).
4/ Under the AfDB's PCCF arrears clearance arrangement approved in December 2006, the arrears due to the AfDB are backed by pledges from donors and have since either been received or are pending disbursement when the country reaches HIPC decision point.
5/ Represents dues in arrears to the Universal Postal Union and the Pan-African Postal Union, which are agencies, respectively, of the United Nations and the African Union. Also includes arrears to the International Postal Universities at Abidjan and Brazzaville, and the African Institute of Savings Institutions, which the authorities have reported to be agencies of multilateral institutions.
6/ The authorities confirm that claims are owed to the former Serbia and Montenegro, but no information is available yet to determine the exact amounts for each creditor.

Table 3. Central African Republic: External Debt Service, 2007–2026 1/
(In millions of U.S. dollars, unless otherwise indicated)

													Averages	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2021	2026	2007-2016	2017-2026
Before traditional debt relief														
Total	60.0	42.7	41.5	39.4	38.7	39.6	46.2	48.5	51.0	51.8	34.8	40.1	45.9	37.6
Existing debt 2/ 3/	59.9	42.4	40.9	38.6	37.8	38.5	38.7	39.0	38.1	37.9	29.7	24.4	41.2	28.7
Multilateral	49.2	31.3	30.0	29.3	29.5	28.9	28.9	28.7	28.2	28.0	24.7	23.2	31.2	24.8
Official bilateral	9.1	9.5	9.4	8.5	8.2	9.6	9.7	10.2	9.8	9.8	4.9	1.2	9.4	3.8
Commercial	1.6	1.6	1.6	0.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.6	0.1
New debt 4/	0.2	0.3	0.6	0.8	0.9	1.1	7.5	9.5	13.0	13.8	5.1	15.7	4.8	8.9
Debt service to exports ratio	24.6	16.4	15.0	13.4	12.3	11.8	12.8	12.6	12.4	11.9	5.7	4.5	14.3	6.1
Debt service to revenue ratio	34.3	22.2	19.3	16.6	14.8	13.8	14.7	14.1	13.6	12.6	5.6	4.3	17.6	6.0
After traditional debt relief 5/														
Total	69.9	52.8	51.6	87.6	84.8	83.5	88.5	88.8	52.3	53.0	39.2	46.0	71.3	42.1
Existing debt 3/ 6/	69.7	52.4	51.0	86.8	83.9	82.5	81.0	79.3	39.3	39.2	34.1	30.3	66.5	33.1
Multilateral	48.0	30.4	29.1	29.6	29.8	29.1	29.6	29.4	28.9	28.7	25.8	24.2	31.3	25.8
Official bilateral	18.3	18.6	18.5	48.3	46.2	45.7	44.1	42.9	10.0	10.0	7.7	5.3	30.3	6.7
Commercial	3.4	3.4	3.3	8.9	7.9	7.6	7.3	7.1	0.4	0.5	0.6	0.8	5.0	0.6
New debt 4/	0.2	0.3	0.6	0.8	0.9	1.1	7.5	9.5	13.0	13.8	5.1	15.7	4.8	8.9
Debt service to exports ratio	28.6	20.3	18.6	29.7	27.0	24.8	24.6	23.0	12.7	12.2	6.5	5.2	22.2	6.8
Debt service to revenue ratio	39.9	27.4	23.9	36.9	32.5	29.0	28.1	25.8	13.9	12.9	6.3	5.0	27.0	6.7
After HIPC assistance 7/														
Total	52.6	28.4	28.2	16.3	28.6	25.4	30.8	31.4	32.9	21.3	15.1	29.1	29.6	20.7
Existing debt 2/ 3/	52.5	28.1	27.6	15.5	27.7	27.0	28.1	26.4	24.3	11.6	10.0	13.4	26.9	11.9
Multilateral	45.3	10.1	14.7	8.3	8.8	8.3	8.9	8.9	8.5	8.4	8.2	12.8	13.0	10.5
Official bilateral	5.5	14.9	10.2	6.6	16.6	16.5	17.0	15.5	13.9	3.2	1.8	0.7	12.0	1.4
Commercial	1.6	3.1	2.7	0.6	2.3	2.2	2.1	2.0	1.9	0.0	0.0	0.0	1.9	0.0
New debt 4/ 8/	0.2	0.3	0.6	0.8	0.9	-1.6	2.7	5.1	8.6	9.7	5.1	15.7	2.7	8.8
Debt service to exports ratio after HIPC assistance	21.6	10.9	10.2	5.5	9.1	7.5	8.6	8.2	8.0	4.9	2.5	3.3	9.4	3.3
Debt service to revenue ratio after HIPC assistance	30.0	14.7	13.1	6.9	11.0	8.8	9.8	9.1	8.7	5.2	2.4	3.1	11.7	3.2
Reduction in debt service as a result of														
HIPC Initiative assistance 9/	...	24.4	23.4	71.3	56.2	58.1	57.7	57.3	19.4	31.7	24.2	16.9	44.4	21.3
After HIPC and MDRI assistance 10/														
Total	52.6	28.4	28.2	8.1	19.9	17.3	22.7	23.4	24.9	13.3	7.4	18.1	23.9	11.1
Existing debt 3/ 6/	52.5	28.1	27.6	7.3	19.0	18.9	20.0	18.3	16.3	3.6	2.3	2.4	21.2	2.3
Multilateral	45.3	10.1	14.7	0.1	0.1	0.2	0.8	0.8	0.5	0.5	0.5	1.8	7.3	0.9
Official bilateral	5.5	14.9	10.2	6.6	16.6	16.5	17.0	15.5	13.9	3.2	1.8	0.7	12.0	1.4
Commercial	1.6	3.1	2.7	0.6	2.3	2.2	2.1	2.0	1.9	0.0	0.0	0.0	1.9	0.0
New debt 4/ 8/	0.2	0.3	0.6	0.8	0.9	-1.6	2.7	5.1	8.6	9.7	5.1	15.7	2.7	8.8
Debt service to exports ratio after HIPC and MDRI assistance	21.6	10.9	10.2	2.7	6.3	5.1	6.3	6.1	6.0	3.1	1.2	2.1	7.8	1.8
Debt service to revenue ratio after HIPC and MDRI assistance	30.0	14.7	13.1	3.4	7.6	6.0	7.2	6.8	6.6	3.2	1.2	1.9	9.9	1.7
Reduction in debt service as a result of														
MDRI assistance	0.0	0.0	0.0	8.2	8.7	8.1	8.1	8.0	8.0	8.0	7.7	11.0	5.7	9.6
Memorandum items:														
Exports of goods and nonfactor services 11/	244.3	259.7	277.4	294.5	314.1	336.3	359.5	385.2	412.1	433.9	607.3	881.5	331.7	645.8
Government revenues 12/	175.2	192.7	215.7	237.1	261.2	287.7	314.8	344.5	376.3	410.1	626.9	927.6	281.5	666.6

Sources: Central African authorities and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated. Fiscal year ends in December.
2/ Includes only principal and interest due on debt outstanding as of the reference date (12/31/2006) and does not include projected penalty interest on arrears.
3/ Debt service in 2007 includes the repurchase with PRGF resources of SDR 12.53 million drawn under the Fund's EPCA in 2004 and 2006.
4/ Reflects debt service on the projected borrowing needed to close the current account gap as well as the repurchase with PRGF resources of SDR 12.53 million previously drawn under the Fund's EPCA.
5/ Assumes a hypothetical stock of debt operation on Naples terms and comparable treatment from other bilateral creditors.
6/ Assumes a hypothetical clearance of arrears to IFAD and OFID at end-2007 with new loans.
7/ Bilateral and commercial creditors are assumed to provide a Cologne flow rescheduling on eligible debt during the interim period and a Cologne stock of debt operation at the completion point (end December 2009).
Multilateral creditors are assumed to provide HIPC debt relief as of the decision point, except for IFAD, BADEA and OFID, which are assumed to provide relief at the completion point.
8/ The IMF delivers debt relief on both old debt (the PRGF outstanding as of 12/31/06), as well as the new PRGF approved in December 2006. Debt relief on the new PRGF is reflected as a reduction in debt service associated with new borrowings.
9/ The reduction is measured as the difference between the projected debt service after full use of traditional debt relief and debt service after the application of HIPC relief.
10/ MDRI assistance applies to the World Bank, the IMF and the AfDB and starts after the assumed completion point (December 2009). Assumes that MDRI has no impact on the CAR's new borrowing over the projection period.
11/ As defined in IMF, Balance of Payments Manual, 5th edition, 1993. Refers to current year exports.
12/ Revenues are defined as central government revenues, excluding grants.

Table 4. Central African Republic: Net Present Value of External Debt, 2006–2026 1/
(In millions of U.S. dollars, unless otherwise indicated)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2021	2026	Averages 2006-2016	Averages 2017-2026
I. Before traditional debt-relief 1/															
NPV of total debt	909.8	787.8	781.7	781.8	775.4	769.4	762.5	747.5	725.3	700.8	675.8	661.3	816.7	765.2	691.7
NPV of outstanding debt	909.8	744.7	725.6	707.0	689.8	672.5	653.6	633.6	612.3	590.9	568.5	475.9	384.5	682.6	466.8
Official bilateral and commercial	373.1	367.5	361.2	354.7	349.6	345.1	339.1	332.6	325.2	317.9	310.1	289.9	280.9	343.3	290.4
Multilateral	536.7	377.2	364.4	352.3	340.2	327.4	314.5	301.1	287.1	273.0	258.3	186.1	103.6	339.3	176.4
NPV of new borrowing	0.0	43.2	56.1	74.8	85.6	96.9	108.8	113.9	112.9	109.9	107.3	185.3	432.2	82.7	224.9
II. After traditional debt relief 1/ 2/															
NPV of total debt	855.9	734.9	729.9	731.2	689.0	647.5	605.1	554.8	497.3	474.7	451.6	437.6	584.2	633.8	466.3
NPV of outstanding debt	855.9	691.8	673.8	656.5	603.5	550.6	496.3	440.9	384.4	364.8	344.3	252.3	152.0	551.1	241.4
Official bilateral and commercial	319.2	314.6	309.4	304.2	263.2	223.2	181.7	139.9	97.3	91.8	86.0	66.2	48.4	211.9	65.0
Multilateral	536.7	377.2	364.4	352.3	340.2	327.4	314.5	301.1	287.1	273.0	258.3	186.1	103.6	339.3	176.4
World Bank	306.5	240.8	238.1	234.3	228.9	221.7	214.0	205.8	197.2	188.3	179.1	127.3	64.3	223.2	119.7
AfDB Group	125.5	81.6	80.5	79.1	77.2	75.2	72.8	70.3	67.8	65.2	62.5	48.0	31.8	78.0	46.1
IMF	39.6	14.6	7.9	3.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.1	0.0
Other multilateral	65.2	40.2	37.9	35.5	33.0	30.4	27.8	25.0	22.1	19.5	16.7	10.8	7.5	32.1	10.6
NPV of new borrowing	0.0	43.2	56.1	74.8	85.6	96.9	108.8	113.9	112.9	109.9	107.3	185.3	432.2	82.7	224.9
III. After conditional delivery of enhanced HIPC assistance 4/															
NPV of total debt	753.4	705.9	719.6	320.0	286.6	280.3	277.2	269.9	261.0	251.5	254.5	328.5	537.3	398.2	359.5
NPV of outstanding debt	753.4	662.7	663.5	245.2	242.6	227.0	211.4	193.8	176.9	161.2	157.4	143.1	105.0	335.9	134.9
Official bilateral and commercial	373.1	309.3	302.7	91.7	89.9	75.8	61.1	45.2	30.1	15.8	13.4	6.8	3.0	128.0	6.8
Multilateral	380.4	353.4	360.7	153.5	152.7	151.3	150.3	148.6	146.9	145.4	144.0	136.3	102.0	207.9	128.1
NPV of new borrowing 5/	0.0	43.2	56.1	74.8	44.0	53.3	65.8	76.2	84.1	90.3	97.1	185.3	432.2	62.3	224.5
IV. After unconditional delivery of enhanced HIPC assistance 6/															
NPV of total debt	273.1	281.4	278.5	280.2	286.6	280.3	277.2	269.9	261.0	251.5	254.5	328.5	537.3	272.2	359.5
NPV of outstanding debt	273.1	274.5	260.3	245.2	242.6	227.0	211.4	193.8	176.9	161.2	157.4	143.1	105.0	220.3	134.9
Official bilateral and commercial	101.9	111.8	99.8	91.7	89.9	75.8	61.1	45.2	30.1	15.8	13.4	6.8	3.0	67.0	6.8
Multilateral	171.2	162.6	160.5	153.5	152.7	151.3	150.3	148.6	146.9	145.4	144.0	136.3	102.0	153.3	128.1
NPV of new borrowing 8/	0.0	7.0	18.2	35.0	44.0	53.3	65.8	76.2	84.1	90.3	97.1	185.3	432.2	51.9	224.5
V. After conditional delivery of enhanced HIPC and MDRI assistance 4/ 7/															
NPV of total debt	753.4	705.9	719.6	179.8	147.9	143.7	142.1	136.5	129.2	121.4	126.2	209.7	450.5	300.5	248.2
NPV of outstanding debt	753.4	662.7	663.5	105.1	103.9	90.4	76.3	60.3	45.1	31.2	29.1	24.4	18.3	238.3	23.7
Official bilateral and commercial	373.1	309.3	302.7	91.7	89.9	75.8	61.1	45.2	30.1	15.8	13.4	6.8	3.0	128.0	6.8
Multilateral	380.4	353.4	360.7	13.4	14.0	14.6	15.2	15.1	15.1	15.4	15.7	17.5	15.3	110.3	16.8
NPV of new borrowing 5/	0.0	43.2	56.1	74.8	44.0	53.3	65.8	76.2	84.1	90.3	97.1	185.3	432.2	62.3	224.5

Sources: Central African authorities and staff estimates and projections.

1/ The NPV of debt to the World Bank, the AfDB Group and BADEA includes the grant element of the arrears clearance operations as well as any payments made under these operations.
2/ Shows the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment from official bilateral creditors.
3/ In terms of simple historical three-year average of exports of goods and nonfactor services.
4/ Assumes only interim relief under the enhanced Initiative from October 2007 to December 2009 and full delivery of assistance in January 2010.
5/ Includes the effect of conditional IMF HIPC relief applied to the PRGF approved in December 2006.
6/ Assumes full delivery of estimated HIPC initiative debt relief as end-December 2006.
7/ MDRI assistance applies to the World Bank, the IMF and the AfDB Group, and starts after the completion point (December 2009).
8/ Includes the effect of unconditional delivery of IMF relief applied to the PRGF approved in December 2006.

Table 5. Central African Republic: External Debt Indicators, 2006–2026 1/

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Averages 2007-2016	Averages 2017-2026
	(In percent, unless otherwise indicated)																						
I. Before traditional debt-relief 1/																							
NPV of debt-to-GDP ratio	58.0	47.6	44.0	40.9	37.8	34.8	32.0	29.3	26.6	24.0	21.7	19.7	18.3	17.2	16.3	15.4	14.6	14.0	13.5	13.9	13.8	36.1	15.7
NPV of debt-to-exports ratio 2/ 3/	499.2	379.5	329.6	300.2	279.7	260.5	242.1	222.0	201.3	181.7	164.7	150.0	139.6	130.9	123.9	116.7	110.3	104.9	100.1	102.6	100.1	278.2	117.9
NPV of debt-to-revenue ratio 4/	616.3	449.7	405.7	362.4	327.0	294.6	265.0	237.4	210.5	186.2	164.8	146.7	133.3	122.5	113.7	105.5	98.4	92.9	88.3	90.2	88.0	320.0	108.0
Debt service ratio	...	24.6	16.4	15.0	13.4	12.3	11.8	12.8	12.6	12.4	11.9	10.3	7.9	7.1	6.0	5.7	5.3	4.9	4.6	4.7	4.5	14.3	6.1
Debt service-to-revenue ratio 4/	...	34.3	22.2	19.3	16.6	14.8	13.8	14.7	14.1	13.6	12.6	10.8	8.0	7.0	5.9	5.6	5.1	4.7	4.4	4.5	4.3	17.6	6.0
II. After traditional debt relief 1/ 2/																							
NPV of debt-to-GDP ratio	54.6	44.4	41.1	38.3	33.6	29.3	25.4	21.8	18.2	16.3	14.5	13.1	12.0	11.3	10.7	10.2	9.7	9.4	9.1	9.8	9.9	30.7	10.5
NPV of debt-to-exports ratio 2/ 3/	469.7	354.0	307.8	280.7	248.6	219.2	192.1	164.8	138.0	123.1	110.0	99.2	91.7	86.0	81.7	77.2	73.4	70.2	67.6	72.1	71.6	237.1	79.1
NPV of debt-to-revenue ratio 4/	579.7	419.5	378.9	339.0	290.6	247.9	210.3	176.2	144.4	126.2	110.1	97.0	87.6	80.5	75.0	69.8	65.4	62.2	59.6	63.4	63.0	274.8	72.4
Debt service ratio	...	28.6	20.3	18.6	29.7	27.0	24.8	24.6	23.0	12.7	12.2	10.6	8.7	7.8	6.8	6.5	6.0	5.7	5.4	5.4	5.2	22.2	6.8
Debt service-to-revenue ratio 4/	...	39.9	27.4	23.9	36.9	32.5	29.0	28.1	25.8	13.9	12.9	11.0	8.8	7.8	6.7	6.3	5.7	5.4	5.1	5.2	5.0	27.0	6.7
III. After conditional delivery of enhanced HIPC assistance 4/																							
NPV of debt-to-GDP ratio	48.0	42.7	40.5	16.8	14.0	12.7	11.6	10.6	9.6	8.6	8.2	7.8	7.6	7.5	7.6	7.6	7.6	7.7	7.7	8.7	9.1	20.3	7.9
NPV of debt-to-exports ratio 2/ 3/	413.4	340.0	303.4	122.8	103.4	94.9	88.0	80.2	72.4	65.2	62.0	58.9	57.8	57.4	58.0	58.0	57.6	57.4	57.4	64.2	65.8	158.7	59.3
NPV of debt-to-exports ratio (existing debt only)	413.4	319.2	279.8	94.1	87.5	76.9	67.1	57.6	49.1	41.8	38.4	35.3	32.7	30.1	27.6	25.3	22.4	19.8	17.3	15.0	12.9	138.6	23.8
NPV of debt-to-revenue ratio 4/	510.3	402.9	373.5	148.3	120.9	107.3	96.3	85.7	75.8	66.8	62.1	57.6	55.2	53.8	53.2	52.4	51.3	50.9	50.6	56.5	57.9	186.4	53.9
Debt service-to-exports ratio	...	21.6	10.9	10.2	5.5	9.1	7.5	8.6	8.2	8.0	4.9	5.1	3.7	3.1	2.5	2.5	3.0	3.0	3.1	3.4	3.3	9.4	3.3
Debt service-to-revenue ratio 4/	...	30.0	14.7	13.1	6.9	11.0	8.8	9.8	9.1	8.7	5.2	5.3	3.7	3.1	2.5	2.4	2.9	2.8	2.9	3.2	3.1	11.7	3.2
IV. After unconditional delivery of enhanced HIPC assistance																							
NPV of debt-to-GDP ratio	17.4	17.0	15.7	14.7	14.0	12.7	11.6	10.6	9.6	8.6	8.2	7.8	7.6	7.5	7.6	7.6	7.6	7.7	7.7	8.7	9.1	12.7	7.9
NPV of debt-to-exports ratio 2/ 3/	149.9	135.6	117.4	107.6	103.4	94.9	88.0	80.2	72.4	65.2	62.0	58.9	57.8	57.4	58.0	58.0	57.6	57.4	57.4	64.2	65.8	97.9	59.3
NPV of debt-to-exports ratio (existing debt only)	149.9	132.2	109.8	94.1	87.5	76.9	67.1	57.6	49.1	41.8	38.4	35.3	32.7	30.1	27.6	25.3	22.4	19.8	17.3	15.0	12.9	82.2	23.8
NPV of debt-to-revenue ratio 4/	185.0	160.6	144.5	129.9	120.9	107.3	96.3	85.7	75.8	66.8	62.1	57.6	55.2	53.8	53.2	52.4	51.3	50.9	50.6	56.5	57.9	112.3	53.9
Debt service-to-exports ratio	...	21.6	10.9	10.2	5.5	9.1	7.5	8.6	8.2	8.0	4.9	5.1	3.7	3.1	2.5	2.5	3.0	3.0	3.1	3.4	3.3	9.4	3.3
Debt service-to-revenue ratio 4/	...	30.0	14.7	13.1	6.9	11.0	8.8	9.8	9.1	8.7	5.2	5.3	3.7	3.1	2.5	2.4	2.9	2.8	2.9	3.2	3.1	11.7	3.2
V. After conditional delivery of enhanced HIPC and MDRI assistance 4/ 5/																							
NPV of debt-to-GDP ratio	48.0	42.7	40.5	9.4	7.2	6.5	6.0	5.4	4.7	4.2	4.1	3.9	4.1	4.3	4.6	4.9	5.2	5.5	5.8	7.0	7.6	16.2	5.3
NPV of debt-to-exports ratio 2/ 3/	413.4	340.0	303.4	69.0	53.4	48.7	45.1	40.5	35.9	31.5	30.8	30.0	31.0	32.6	35.2	37.0	39.0	41.1	43.1	51.9	55.2	128.3	39.6
NPV of debt-to-exports ratio (existing debt only)	413.4	319.2	279.8	40.3	37.5	30.6	24.2	17.9	12.5	8.1	7.1	6.4	5.8	5.3	4.8	4.3	3.9	3.5	3.0	2.6	2.2	108.2	4.2
NPV of debt-to-revenue ratio 4/	510.3	402.9	373.5	83.4	62.4	55.0	49.4	43.3	37.5	32.3	30.8	29.3	29.6	30.6	32.3	33.4	34.8	36.4	38.0	45.6	48.6	152.8	35.9
Debt service-to-exports ratio	...	21.6	10.9	10.2	2.7	6.3	5.1	6.3	6.1	6.0	3.1	3.4	2.1	1.7	1.1	1.2	1.2	1.3	1.5	2.0	2.1	7.8	1.8
Debt service-to-revenue ratio 4/	...	30.0	14.7	13.1	3.4	7.6	6.0	7.2	6.8	6.6	3.2	3.5	2.1	1.7	1.1	1.2	1.2	1.2	1.5	1.9	1.9	9.9	1.7

Sources: Central African authorities and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt at end-December 2006.

2/ Exports are defined as in IMF, *Balance of Payments Manual*, 5th edition, 1993.

3/ Based on a three-year average of exports on the previous year (e.g., export average over 2004-2006 for NPV of debt-to-exports ratio in 2006).

4/ Revenue is defined as central government revenue, excluding grants.

5/ MDRI assistance applies to the World Bank, the IMF and the African Development Bank, and starts after the completion point (December 2009). Assumes that MDRI has no impact on the C.A.R.'s new borrowing over the projection period.

Table 6. Central African Republic: Sensitivity Analysis, 2006–2026 1/

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Averages 2006-2016	Averages 2017-2026
	(In percent, unless otherwise indicated)																						
I. Baseline scenario 2/																							
NPV of debt-to-GDP ratio	17.4	16.8	15.5	14.6	14.0	12.8	11.9	10.8	9.8	8.8	8.3	7.9	7.7	7.7	7.8	7.8	7.8	7.8	7.9	8.9	9.2	12.8	8.1
NPV of debt-to-exports ratio 3/ 4/	149.9	135.6	117.4	107.6	103.4	94.9	88.0	80.2	72.4	65.2	62.0	58.9	57.8	57.4	58.0	58.0	57.6	57.4	57.4	64.2	65.8	97.9	59.3
NPV of debt-to-revenue ratio 5/	185.0	160.6	144.5	129.9	120.9	107.3	96.3	85.7	75.8	66.8	62.1	57.6	55.2	53.8	53.2	52.4	51.3	50.9	50.6	56.5	57.9	112.3	53.9
Debt service-to-exports ratio	...	21.6	10.9	10.2	5.5	9.1	7.5	8.6	8.2	8.0	4.9	5.1	3.7	3.1	2.5	2.5	3.0	3.0	3.1	3.4	3.3	9.4	3.3
Debt service-to-revenue ratio	...	30.0	14.7	13.1	6.9	11.0	8.8	9.8	9.1	8.7	5.2	5.3	3.7	3.1	2.5	2.4	2.9	2.8	2.9	3.2	3.1	11.7	3.2
II. Sensitivity analysis																							
II.(a) Less concessional new borrowing scenario 6/																							
NPV of debt-to-GDP ratio	17.4	17.9	16.7	15.7	15.6	14.8	14.0	13.1	12.0	10.9	10.4	9.9	9.7	9.5	9.4	9.3	9.2	9.1	9.0	9.0	9.0	14.4	9.3
NPV of debt-to-exports ratio 3/ 4/	149.9	142.7	124.7	115.3	115.7	110.9	105.8	98.8	90.5	82.6	78.8	75.4	73.7	72.3	71.5	70.8	69.6	68.4	67.3	66.1	65.0	110.5	70.0
NPV of debt-to-revenue ratio 5/	231.5	203.5	168.0	155.2	147.7	136.9	126.5	115.6	103.6	92.5	85.9	80.3	76.7	73.7	71.5	69.6	67.4	65.5	64.0	62.8	61.8	142.4	69.3
Debt service-to-exports ratio	...	21.6	11.0	10.4	6.2	10.3	9.3	11.3	11.6	12.0	9.5	10.2	9.4	9.3	9.0	9.1	9.7	9.8	10.0	10.1	10.1	11.3	9.7
Debt service-to-revenue ratio	...	30.0	14.9	13.4	7.6	12.4	10.9	12.9	13.0	13.1	10.0	10.6	9.6	9.3	8.9	8.8	9.3	9.3	9.5	9.5	9.6	13.8	9.4
II.(b) Lower export growth 7/																							
NPV of debt-to-GDP ratio	17.4	17.9	16.6	15.5	14.9	13.8	12.8	11.6	10.5	9.5	9.0	8.6	8.5	8.5	8.7	8.8	8.9	9.1	9.2	10.5	11.0	13.6	9.2
NPV of debt-to-exports ratio 3/ 4/	149.9	142.7	124.0	114.0	110.9	104.7	100.1	93.3	86.2	79.1	76.7	75.3	76.7	79.2	83.4	87.0	90.5	94.7	99.5	117.4	127.3	107.4	93.1
NPV of debt-to-revenue ratio 5/	231.5	203.5	167.1	153.3	139.9	126.2	113.9	101.5	89.4	78.5	72.2	67.3	65.0	63.8	63.7	63.2	62.3	61.8	62.0	69.7	72.0	134.3	65.1
Debt service-to-exports ratio	...	21.6	10.9	10.2	5.7	9.8	8.4	9.8	9.7	9.8	6.3	6.7	5.0	4.5	3.8	3.9	5.0	5.1	5.6	6.5	6.8	10.2	5.3
Debt service-to-revenue ratio	...	35.7	16.2	14.6	7.5	12.2	9.9	11.1	10.4	10.1	6.0	6.2	4.4	3.7	2.9	2.9	3.5	3.4	3.6	3.9	3.9	13.4	3.8

Sources: Central African authorities and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after HIPC debt relief assumed delivered unconditionally at end-December 2006.

2/ The baseline scenario is described in Section III.

3/ As defined in IMF, *Balance of Payments Manual* , 5th edition, 1993.

4/ Based on a three-year average of exports on the previous year (e.g., export average over 2004-2006 for NPV of debt-to-exports ratio in 2006).

5/ Revenue is defined as central government revenue, excluding grants.

6/ Assumes that the interest rate on the financing gap is set at commercial terms of 7%.

7/ Assumes the value of exports grows by an average of 2.1 percent per annum, which is about 4.5 percentage points below the baseline.

Table 7. Central African Republic: Status of Creditor Participation under the Enhanced HIPC Initiative

	Debt relief in NPV terms (US$ millions)	Percentage of total assistance	Modalities to deliver debt relief
IDA	209	36	Part of IDA's debt relief has been delivered through the clearance of arrears on grant terms in November 2006. Immediately following the approval of the decision point by the Boards, IDA would begin to provide interim assistance in the form of debt service reduction on debt outstanding and disbursed as of December 31, 2006.
AfDB Group	85	15	Interim assistance will be provided through (i) the clearance of arrears, on grant terms, in December 2006, and (ii) a reduction of the debt service payments to the AfDB Group, starting on January 2008, on disbursed and outstanding debt as of December 31, 2006.
IMF	27	5	The first delivery of interim assistance of 20 percent of commitment will be deposited into the C.A.R.'s Umbrella account at the expected decision point in September 2007 to cover principal repayment obligations falling due to the Fund over the next 12 months. The second interim assistance is assumed to be disbursed in September.
IFAD	16	3	Assistance will be delivered at the completion point, through a reduction of debt service payments on eligible debt by up to 100 percent until the target in NPV terms is reached. IFAD is also expected to deliver debt relief through a concessional treatment of C.A.R.'s arrears.
BDEAC	9	2	Debt service payments have been suspended until the completion point. Full delivery of relief at completion point is not guaranteed at this time.
BADEA	9	1	In November 2005, BADEA agreed to reschedule outstanding arrears. The rescheduling reduced by US$2.5 million the NPV of debt outstanding at decision point.
OPEC Fund	6	1	The OPEC Fund has agreed to provide part of HIPC debt relief through a concessional arrears clearance operation. Additional relief would be provided at the completion point.
EU/EIB	4	1	Interim assistance will be provided through (i) the clearance of arrears, on grant terms, in December 2007, and (ii) 100 percent debt service relief following decision point.
Others 1/	1	0	
Total multilateral	**365**	**63**	
Paris Club Creditors	32	6	Interim assistance will be delivered through a Cologne flow during the interim period. South Africa cancelled 100% of its debt in October 2006.
Non-Paris Club Creditors	155	27	
Algeria	0	0	
Argentina	23	4	
Benin	0	0	
Burkina Faso	0	0	
Cameroon	1	0	
China	18	3	In early January 2007, two loans representing 29% of the outstanding nominal stock were cancelled.
Congo, Rep of	0	0	
Cote d'Ivoire	0	0	
Equatorial Guinea	3	0	
Iraq	1	0	
Kenya	0	0	
Kuwait	13	2	
Libya	7	1	
Mali	0	0	
Mozambique	0	0	
Niger	0	0	
Saudi Arabia	11	2	
Senegal	1	0	
Taiwan, Province of China	64	11	
Chad	0	0	
Former Serbia and Montenegro	14	2	
Zimbabwe	0	0	
Commercial creditors	30	5	
Total bilateral and commercial	**217**	**37**	
TOTAL	**583**	**100**	

Sources: Central African authorities; and Bank-Fund staff estimates.

1/ Includes the Universal Postal Union and the Pan-African Postal Union, which are agencies, respectively, of the United Nations and the African Union. Also includes the International Postal Universities at Abidjan and Brazzaville, and the African Institute of Savings Institutions, which the authorities have reported to also be agencies of multilteral institutions.

Table 8. Central African Republic: Possible Delivery of IDA Assistance under the Enhanced HIPC Initiative, 2007–2027 1/
(In millions of U.S. dollars, unless otherwise indicated)

	NPV relief required	2007			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Cumulative 2015-27	Cumulative 2007-41
		Jan.-Sep.	Oct.-Dec. 2/	Total																						
Debt service before HIPC assistance		11.9	2.4	14.3	15.2	16.0	17.5	19.0	19.2	19.3	19.1	19.1	18.9	18.8	18.7	18.5	18.5	18.4	18.2	18.0	17.9	17.8	17.6	17.2	237.5	437.3
of which principal		9.8	1.8	11.3	12.3	13.3	14.8	16.4	16.8	16.9	16.9	17.0	17.0	17.0	17.0	16.9	17.1	17.1	17.0	17.0	17.0	17.0	17.0	16.6	220.7	398.1
of which interest		2.4	0.5	3.0	2.9	2.8	2.7	2.6	2.4	2.3	2.2	2.1	1.9	1.8	1.7	1.6	1.4	1.3	1.2	1.0	0.9	0.8	0.7	0.5	16.9	39.2
Debt service after HIPC assistance		11.9	0.9	12.7	5.8	6.0	6.4	7.0	7.1	7.1	7.0	7.0	7.0	6.9	6.9	6.8	6.8	6.8	6.7	6.6	6.6	6.6	6.5	8.2	89.3	208.5
of which principal		9.8	0.7	10.1	4.7	5.0	5.4	6.0	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.3	6.3	6.3	6.3	6.3	6.3	6.3	8.0	83.0	191.5
of which interest		2.4	0.2	2.6	1.1	1.0	1.0	0.9	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.3	6.3	17.0
IDA assistance under the HIPC Initiative	143	0.0	1.5	1.5	9.4	10.1	11.1	12.0	12.1	12.2	12.1	12.1	12.0	11.9	11.8	11.7	11.7	11.6	11.5	11.4	11.3	11.2	11.1	8.9	148.2	228.7
of which principal		0.0	1.2	1.2	7.6	8.3	9.4	10.4	10.6	10.7	10.7	10.8	10.8	10.8	10.8	10.7	10.8	10.8	10.8	10.7	10.7	10.7	10.7	8.7	137.6	206.6
of which interest		0.0	0.3	0.4	1.8	1.8	1.7	1.6	1.5	1.5	1.4	1.3	1.2	1.1	1.1	1.0	0.9	0.8	0.7	0.7	0.6	0.5	0.4	0.3	10.5	22.2
Debt service to IDA covered by IDA HIPC assistance (percent)		0	63	11	62 \3	63 \3	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	52 \4	62	52

Source: Staff estimates.

1/ Enhanced HIPC assistance of USD 209 million in end-2006 NPV terms (USD 295 million in nominal terms) to be delivered i) through the clearance of the CAR's arrears to IDA on grant terms (USD 66 million); and ii) over about 20 years through a 63 percent relief on the debt service falling due to IDA on credits outstanding at end-2006 (USD 143 million in NPV terms, USD 229 million in nominal terms).

2/ Decision point is expected to be reached in September 2007. Delivery of the interim assistance by the World Bank Group is expected to start on October 1, 2007.

3/ Relief is not provided on IDA Project Preparation Loans, which are payable in 2008 and 2009

4/ Relief is provided in the period of January-October, 2027

Table 9. Central African Republic: Possible Delivery of IMF Assistance under the Enhanced HIPC Initiative, 2007–2017 1/
(In millions of U.S. dollars, unless otherwise indicated)

	2007 Oct.-Dec.	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
(Based on the US$/SDR exchange rate as of August 24, 2007)											
I. Pre-MDRI Debt relief (under the HIPC Initiative only) 2/											
HIPC-eligible debt service due on IMF obligations 3/	0.1	7.7	5.2	2.6	1.4	2.8	6.5	6.4	6.4	6.4	3.6
Principal	-	7.5	5.0	2.4	1.2	2.7	6.3	6.3	6.3	6.3	3.6
Interest and charges	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0
HIPC assistance--deposits into member's Umbrella Account											
Interim assistance 4/	5.4	4.0									
Completion point disbursement 5/			19.5								
Completion point assistance			17.5								
Completion point interest			2.0								
IMF assistance--drawdown schedule from member's Umbrella Account	-	5.5	4.2	1.7	0.5	2.7	4.8	4.5	4.4	4.2	1.1
IMF assistance without interest	-	5.4	4.0	1.5	0.4	0.2	3.0	3.8	3.9	3.9	0.9
Estimated interest earnings 6/	-	0.1	0.2	0.2	0.1	2.5	1.8	0.7	0.5	0.3	0.1
Debt service due on current IMF obligations after IMF assistance	0.1	2.2	0.9	0.9	0.9	0.2	1.6	2.0	1.9	2.1	2.6
Delivery schedule of IMF assistance (in percent of the total assistance)	-	20.0	15.0	5.4	1.4	0.6	11.1	14.0	14.6	14.6	3.5
Share of debt service due on IMF obligations covered by HIPC assistance (in per (in percent)	-	70.8	82.2	63.7	32.7	94.7	74.8	69.6	69.5	66.8	29.5
Proportion (in percent) of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in Umbrella Account	-	72.1	81.5	59.6	29.8	5.8	47.2	59.6	62.1	62.1	25.9
II. Post-MDRI Debt relief (under both MDRI and HIPC Initiatives)											
Projected pre MDRI cutoff date debt at completion point			3.7								
Delivery of debt relief (on stock basis):											
from the MDRI-I Trust 7/			1.6								
from the HIPC Umbrella Account 8/			2.0								
Delivery of remaining HIPC assistance for post MDRI cutoff date debt (on stock basis):			17.5								
III. Debt service due to the IMF after HIPC and MDRI debt relief 9/	0.1	2.2	0.9	0.1	0.1	0.1	0.1	0.1	4.2	6.4	3.6
Memorandum items:											
(Based on debt service data and exchange rates as of 12/31/2006)											
Total debt service due (in millions of U.S. dollars)		42.4	40.9	38.6	37.8	38.5	38.7	39.0	38.1	37.9	34.0
Debt service due on IMF obligations (in millions of U.S. dollars) 10/		7.6	5.1	2.6	1.4	2.8	6.3	6.3	6.3	6.3	3.6
Debt service due on current IMF obligations after IMF assistance 11/		2.2	0.9	0.1	0.1	0.1	0.1	0.1	4.2	6.3	3.6
Share of total IMF debt service covered by IMF assistance (in percent) 11/		70.8	82.2	97.3	94.9	97.5	98.9	98.9	33.8	--	--

Source: Fund staff estimates and projections.

1/ Total IMF assistance under the enhanced HIPC Initiative is US$ 26.98 million in NPV terms calculated on the basis of data available at the decision point, excluding interest earned on Central African Republic's Umbrella account and on committed but undisbursed amounts as described in footnote 5.
2/ Estimated delivery of HIPC assistance in the absence of MDRI decision.
3/ Forthcoming obligations estimated based on schedules in effect as of June 30, 2007, and includes a projected PRGF disbursement scheduled for September 2007. Interest obligations exclude net SDR charges and assessments.
4/ The first delivery of interim assistance of 20 percent of commitment will be deposited into the Central African Republic's Umbrella account at the expected decision point in September 2007 to cover principal repayment obligations falling due to the Fund over the next 12 months. The second interim assistance is assumed to be disbursed in September 2008.
5/ The remaining IMF's grant HIPC assistance assumed to be disbursed into member's account at the assumed completion point in December 2009, which is reflected in the calculation of interest.
6/ Estimated interest earnings on: (a) amounts held in Central African Republic's Umbrella Account; and (b) up to the completion point, amounts committed but not yet disbursed. The projected interest earnings are estimated based on assumed interest rates which are gradually rising to 5 percent in 2011 and beyond; actual interest earnings may be higher or lower.
7/ Credit outstanding at end-2004 that has not been repaid by the member or with HIPC assistance at the completion point and is not scheduled to be repaid by HIPC assistance, as defined in the MDRI-I Trust Instrument.
8/ It is estimated that 10 percent of the completion point HIPC assistance would be used for financing of the MDRI debt relief.
9/ Estimates as of end-June 2007.
10/ Debt service from 2008-2017 excludes debt service on the EPCA and includes debt service on the 2007 PRGF disbursements. See footnote 3/ above.
11/ Includes both HIPC and MDRI assistance.

Table 10. Central African Republic: Long-Term Macroeconomic Assumptions, 2006–27

																						Averages	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2007-2011	2012-2026	2007-2026
	(Annual percentage change)																							
National income and prices																								
Real GDP growth	4.1	4.0	4.3	4.5	4.2	4.3	4.3	4.3	4.3	4.3	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.2	4.2	4.2
Implicit GDP deflator	3.8	2.5	2.5	2.5	2.4	2.4	2.4	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.5	2.5	2.5
Consumer price index	6.7	3.0	2.3	2.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.3	2.0	2.1
External Sector																								
Export volume growth	15.1	14.8	6.1	6.7	6.0	6.3	6.7	5.8	6.3	7.1	5.0	7.2	6.5	6.8	7.0	7.8	7.4	7.6	8.0	8.3	8.7	8.0	7.1	7.3
Import volume growth	11.3	3.4	10.2	4.1	5.5	4.3	3.5	5.3	4.2	5.2	5.0	5.0	5.0	5.4	5.4	5.4	5.4	4.8	4.4	4.4	4.5	5.5	4.9	5.0
Terms of trade	0.4	-0.5	-1.3	-0.6	-0.7	-0.8	-0.8	1.2	1.1	0.1	0.1	0.1	0.1	0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.8	0.1	-0.1
Central Government																								
Revenue (incl. grants)	87.2	-20.2	-4.3	8.6	4.3	8.3	8.3	8.6	8.6	8.4	8.3	8.2	8.2	8.3	8.3	8.2	8.2	7.6	7.6	7.6	7.6	-0.7	8.1	5.9
Total expenditures	-8.8	0.8	9.2	8.9	10.4	8.8	8.7	9.0	8.6	8.4	8.1	8.3	8.3	8.4	8.3	8.3	8.3	8.3	8.3	8.4	8.4	7.6	8.4	8.2
	(In percent of GDP)																							
National Income																								
Consumption	98.9	97.8	97.7	97.1	97.1	96.8	96.4	96.1	95.6	95.4	95.4	95.2	95.0	94.9	94.7	94.5	94.4	94.1	93.7	93.3	92.8	97.3	94.8	95.4
Government	3.0	3.0	3.7	4.0	4.1	4.1	4.2	4.2	4.2	4.3	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.9	3.9
Private	95.9	94.9	94.0	93.1	93.0	92.7	92.2	91.9	91.4	91.1	91.7	91.4	91.2	91.1	90.9	90.7	90.5	90.2	89.8	89.4	89.0	93.5	90.8	91.5
Investment	8.8	9.1	10.1	10.4	10.5	10.7	10.8	10.9	10.9	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	10.1	11.0	10.8
Government	3.3	2.9	3.4	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	3.5	4.1	4.0
Private	5.6	6.2	6.6	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.7	6.8	6.8
External sector																								
Exports of goods and services	13.9	14.8	14.7	14.6	14.4	14.3	14.2	14.2	14.2	14.2	14.0	14.1	14.0	14.0	14.1	14.2	14.3	14.4	14.5	14.7	14.9	14.5	14.3	14.3
Imports of goods and services	21.7	21.7	22.4	22.1	22.0	21.7	21.3	21.1	20.7	20.6	20.4	20.2	20.1	20.0	19.8	19.7	19.6	19.5	19.2	19.0	18.8	22.0	20.0	20.5
Current account (incl. grants)	-2.7	-4.1	-4.8	-4.7	-5.1	-5.0	-4.8	-4.7	-4.4	-4.3	-4.4	-4.3	-4.2	-4.1	-4.1	-3.9	-3.8	-3.6	-3.3	-3.0	-2.6	-4.8	-4.0	-4.2
Central Government																								
Revenue (incl. grants)	21.1	15.8	14.1	14.3	14.0	14.2	14.4	14.6	14.8	15.0	15.3	15.5	15.7	16.0	16.2	16.4	16.7	16.8	17.0	17.1	17.3	14.5	15.9	15.6
Total expenditures	14.1	13.3	13.6	13.8	14.3	14.6	14.8	15.1	15.3	15.5	15.7	16.0	16.2	16.5	16.7	17.0	17.3	17.5	17.8	18.1	18.4	13.9	16.5	15.9
Current expenditures	9.7	9.4	9.0	9.0	9.3	9.5	9.6	9.7	9.8	10.0	10.1	10.2	10.4	10.5	10.7	10.9	11.1	11.3	11.5	11.8	12.0	9.3	10.6	10.3
Capital expenditure	4.4	3.8	4.6	4.8	4.9	5.1	5.2	5.4	5.5	5.6	5.7	5.8	5.9	5.9	6.0	6.1	6.2	6.2	6.3	6.3	6.4	4.7	5.9	5.6
Overall Balance (excl. grants)	-4.7	-2.7	-2.7	-2.5	-2.7	-2.7	-2.7	-2.7	-2.7	-2.6	-2.6	-2.5	-2.5	-2.5	-2.4	-2.4	-2.4	-2.5	-2.6	-2.7	-2.8	-2.7	-2.6	-2.6

Sources: Central African authorities and IMF and World Bank staff estimates and projections.

Table 11. HIPC Initiative: Status of Country Cases Considered Under the Initiative, August 2006

Country	Decision Point	Completion Point	Target NPV of Debt-to- Exports (in percent)	Target NPV of Debt-to- Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral and commercial	Multi-lateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
Completion point reached under enhanced framework											
Benin	Jul. 00	Mar. 03	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
original framework	Sep. 97	Sep. 98	225		448	157	291	29	54	14	760
enhanced framework	Feb. 00	Jun. 01	150		854	268	585	55	140	30	1,300
Burkina Faso					553	83	469	57	231		930
original framework	Sep. 97	Jul. 00	205		229	32	196	22	91	27	400
enhanced framework	Jul. 00	Apr. 02	150		195	35	161	22	79	30	300
topping-up	…	Apr. 02	150		129	16	112	14	61	24	230
Cameroon	Oct. 00	Apr. 06	150		1,267	879	322	37	176	27	4,917
Ethiopia					1,982	637	1,315	60	832		3,275
enhanced framework	Nov. 01	Apr. 04	150		1,275	482	763	34	463	47	1,941
topping-up		Apr. 04	150		707	155	552	26	369	31	1,334
Ghana	Feb. 02	Jul. 04	144	250	2,186	1,084	1,102	112	781	56	3,500
Guyana					591	223	367	75	68		1,354
original framework	Dec. 97	May 99	107	280	256	91	165	35	27	24	634
enhanced framework	Nov. 00	Dec. 03	150	250	335	132	202	40	41	40	719
Honduras	Jul. 00	Mar. 05	110	250	556	215	340	30	98	18	1,000
Madagascar	Dec. 00	Oct. 04	150		836	474	362	19	252	40	1,900
Malawi					1,057	171	886	45	622		1,628
enhanced framework	Dec. 00	Aug. 06	150		646	164	482	30	333	44	1,025
topping-up	…	Aug. 06	150		411	7	404	15	289	35	603
Mali					539	169	370	59	185		895
original framework	Sep. 98	Sep. 00	200		121	37	84	14	43	9	220
enhanced framework	Sep. 00	Mar. 03	150		417	132	285	45	143	29	675
Mauritania	Feb. 00	Jun. 02	137	250	622	261	361	47	100	50	1,100
Mozambique					2,023	1,270	753	143	443		4,300
original framework	Apr. 98	Jun. 99	200		1,717	1,076	641	125	381	63	3,700
enhanced framework	Apr. 00	Sep. 01	150		306	194	112	18	62	27	600
Nicaragua	Dec. 00	Jan. 04	150		3,308	2,175	1,134	82	191	73	4,500
Niger					663	235	428	42	240		1,190
enhanced framework	Dec. 00	Apr. 04	150		521	211	309	28	170	53	944
topping-up	…	Apr. 04	150		143	23	119	14	70	25	246
Rwanda					696	65	631	63	383		1,316
enhanced framework	Dec. 00	Apr. 05	150		452	56	397	44	228	71	839
topping-up	…	Apr. 05	150		243	9	235	20	154	53	477
São Tomé and Príncipe			150		119	31	88	1	30		263
enhanced framework	Dec. 00	Mar. 07	150		94	29	65	-	22	83	215
topping-up	…	Mar. 07	150		25	2	23	1	8	45	49
Senegal	Jun. 00	Apr. 04	133	250	488	212	276	45	124	19	850
Sierra Leone	Mar. 02	Dec. 06	150		675	335	340	125	123	81	994
Tanzania	Apr. 00	Nov. 01	150		2,026	1,006	1,020	120	695	54	3,000
Uganda					1,003	183	820	160	517		1,950
original framework	Apr. 97	Apr. 98	202		347	73	274	69	160	20	650
enhanced framework	Feb. 00	May 00	150		656	110	546	91	357	37	1,300
Zambia	Dec. 00	Apr. 05	150		2,499	1,168	1,331	602	493	63	3,900
Decision point reached under enhanced framework											
Afghanistan	Jul. 07	Floating	150		571	436	135	-	75	51	1,300
Burundi	Aug. 05	Floating	150		826	124	701	28	425	92	1,465
Chad	May. 01	Floating	150		170	35	134	18	68	30	260
Congo, Democratic Rep. of	Jul. 03	Floating	150		6,311	3,837	2,474	472	831	80	10,389
Congo Rep. of	Mar. 06	Floating		250	1,679	1,561	118	8	49	32	2,881
Gambia, The	Dec. 00	Floating	150		67	17	49	2	22	27	90
Guinea	Dec. 00	Floating	150		545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150		416	212	204	12	93	85	790
Haiti	Nov. 06	Floating	150		140	20	120	3	53	15	213
Total assistance provided/committed					35,408	17,400	17,909	2,609 3/	8,555		62,169

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.
2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.
3/ Equivalent to SDR 1,734 million at an SDR/USD exchange rate of 0.6647, as of December 31, 2006.

Table 12. Paris Club Creditors' Delivery of Debt Relief under Bilateral Initiatives

Countries Covered		ODA (In percent)		Non-ODA (In percent)		Provision of Relief	
		Pre-cutoff date debt	Post-cutoff date debt	Pre-cutoff date debt	Post-cutoff date debt	Decision point (In percent)	Completion point
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	HIPCs	100	100	100	100 2/	2/	2/
Austria	HIPCs	100	-	100	-	Case-by-case, flow	Stock
Belgium	HIPCs	100	100	100	-	100 flow	Stock
Canada	HIPCs 3/	- 4/	- 4/	100	100	100 flow	Stock
Denmark	HIPCs	100	100 5/	100	100 5/	100 flow	Stock
France	HIPCs	100	100	100	-	100 flow 6/	Stock
Finland	HIPCs	100	- 7/	100	- 7/	-	-
Germany	HIPCs	100	100	100	100	100 flow	Stock
Ireland	-	-	-	-	-	-	-
Italy	HIPCs	100	100 8/	100	100 8/	100 flow	Stock
Japan	HIPCs	100	100	100	-	-	Stock
Netherlands, the	HIPCs	100 9/	100	100	-	90-100 flow 9/	Stock
Norway	HIPCs	10/	10/	11/	11/	-	-
Russia	HIPCS	- 12/	- 12/	100	100	-	Stock
Spain	HIPCs	100	Case-by-case	100	Case-by-case	-	Stock
Sweden	HIPCs	-	- 13/	100	-	-	Stock
Switzerland	HIPCs	- 14/	- 14/	90-100 15/	-	90-100 flow	Stock
United Kingdom	HIPCs	100	100	100	100 16/	100 flow 16/	Stock
United States	HIPCs	100	100	100	100 17/	100 flow	Stock

Source: Paris Club Secretariat.

1/ Columns (1) to (7) describe the additional debt relief provided following a specific methodology under bilateral initiatives and need to be read as a whole for each creditor. In column (1), "HIPCs" stands for eligible countries effectively qualifying for the HIPC process. A "100 percent" mention in the table indicates that the debt relief provided under the enhanced HIPC Initiative framework will be topped up to 100 percent through a bilateral initiative.

2/ Australia: post-cutoff date non-ODA relief to apply to debts incurred before a date to be finalized; timing details for both flow and stock relief are to be finalized.

3/ Canada: including Bangladesh. Canada has granted a moratorium of debt service as of January 2001 on all debt disbursed before end-March 1999 for 13 out of 17 HIPCs with debt service due to Canada. Eligible countries are Benin, Bolivia, Cameroon, Dem. Rep. Of Congo, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Rwanda, Senegal, Tanzania, and Zambia. 100% cancellation will be granted at completion point. As of July 2004, Canada has provided completion point stock of debt cancellation for Benin, Bolivia, Guyana, Senegal and Tanzania.

4/ 100 percent of ODA claims have already been cancelled on HIPCs, with the exception of Myanmar's debt to Canada.

5/ Denmark provides 100 percent cancellation of ODA loans and non-ODA credits contracted and disbursed before September 27, 1999.

6/ France: cancellation of 100 percent of debt service on pre-cutoff date commercial claims on the government as they fall due starting at the decision point. Once countries have reached their completion point, debt relief on ODA claims on the government will go to a special account and will be used for specific development projects.

7/ Finland: no post-COD claims

8/ Italy: cancellation of 100 percent of all debts (pre- and post-cutoff date, ODA and non-ODA) incurred before June 20, 1999 (the Cologne Summit). At decision point, cancellation of the related amounts falling due in the interim period. At completion point, cancellation of the stock of remaining debt.

9/ The Netherlands: 100 percent ODA (pre- and post-cutoff date debt will be cancelled at decision point); for non-ODA: in some particular cases (Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Mali, Mozambique, Nicaragua, Rwanda, Tanzania, Uganda and Zambia), the Netherlands will write off 100 percent of the consolidated amounts on the flow at decision point; all other HIPCs will receive interim relief up to 90 percent reduction of the consolidated amounts. At completion point, all HIPCs will receive 100 per cent cancellation of the remaining stock of the pre-cutoff date debt.

10/ Norway has cancelled all ODA claims.

11/ Due to the current World Bank/IMF methodology for recalculating debt reduction needs at HIPC completion point, Norway has postponed the decisions on whether or not to grant 100% debt reduction until after the completion point.

12/ Russia has no ODA claims

13/ Sweden has no ODA claims.

14/ Switzerland has cancelled all ODA claims.

15/ In some particular cases (Central African Republic, Liberia, Republic of Congo, Sierra Leone, Togo), Switzerland will write off 100 percent of the remaining debt stock at completion point; all other HIPCs will receive debt relief according to Paris Club terms.

16/ United Kingdom: "beyond 100 percent" full write-off of all debts of HIPCs as of their decision points, and reimbursement at the decision point of any debt service paid before the decision point.

17/ United States: 100 percent post-cutoff date non-ODA treated on debt assumed prior to June 20, 1999 (the Cologne Summit).

Appendix I. Triggers for the Floating Completion Point: Technical Annex

1. **This Annex is intended to clarify and provide additional details on the measurement of the triggers for the floating completion point listed in Box 3.** It discusses the specific policy measures to be undertaken for the satisfactory achievement of the triggers. These policy measures have been agreed between the staffs and the Central African authorities.

2. **Transparency**: Key senior civil servants include Directors of the following departments of the Ministry of Finance: Treasury; Taxes; Customs and Indirect Taxation; Budget; Inspector General of State; Inspector General of Finance. Public entities to be covered by new requirement regarding asset declaration and disclosure are: ACER, ACFPE, ARSEC, ART, ASRP, CENTRAPALM, FER, ICA, OCSS, ONI, ONM, ONP, ORCCPA, SEGA and SOCATEL.

3. **Structural Reform**

- **Adoption of a satisfactory new forestry code and its implementing regulations and satisfactory implementation**: The new forestry code and its implementation decrees will contain, inter alia, satisfactory provisions related to: the award of forest concessions through a bidding system, the creation of an independent body to guarantee transparency of the allocation system with appropriate resources, and the establishment of a forestry taxation system that reflects the timber market value.

- **Undertaking an awareness campaign for communities and the establishment of a standing public information system**. This trigger will be considered as met when the government will set up and ensure implementation of a communication mechanism (including media, posting at the community level and at the forestry companies' headquarters). The information provided will cover annual concessions and harvesting, the names of the forestry and the authorized transport companies, payments made by the forestry company to the government (central and local separately), the amount of forest taxes allocated to local communities, and the preceding year's use of forestry public funds.

- **Adoption of a satisfactory standard-form agreement for the mining sector (in conformity with current international best practices) and amendment of the mining code to ensure their consistency**. This standard agreement will reflect internationally accepted mining practices and leave no room for ad hoc approaches to the key aspects of a mining agreement. In each instance where the standard agreement will contain provisions not aligned to those of the mining code, the corresponding provisions in the mining code will be updated to reflect accepted international mining practices, and prevent contradictions between the two documents.

- Publication on the government's internet site of the report of the Extractive Industries Transparency Initiative (EITI) administrator on mining revenue starting from 2006.

4. **Public Financial Management**

- **Submitting the budget to Parliament using the new budget nomenclature**: The government has started preparing a new budget nomenclature. This trigger will be considered as met if the new budget nomenclature used for the submission of the budget to Parliament enables the tracking of expenditures by, destination, nature, as well as function.

- **Implementation of an expenditure tracking system**. The government has already launched the computerization of the Treasury Department. The trigger represents the next step, namely to implement a financial information system at the level of the General Budget Directorate to be able to track expenditure from commitment to authorization using the new budget nomenclature.

- **Implementation of the payroll management system**: The Ministry of Public Civil Service will be in charge of the permanent census of public wage earners and the regular update of the public servant files in a unique database. The payroll Directorate within the Ministry of Finance will be in charge of controlling the wage data based on the documentary evidence transmitted by the Ministry of Public Civil Service and will liquidate monthly the payroll after its control. The personnel data file will be constituted from a unique database enabling the administrative, budgetary and financial management of public human resources.

- **Adoption and start of implementation of a new procurement code**: The Parliament will adopt a satisfactory new procurement code; the Council of Ministers will adopt satisfactory regulation for its implementation; and the authorities will demonstrate steady progress in the procurement of works, goods and services in accordance with the new legal, institutional and regulatory framework. The new procurement code will be consistent with international best practice as defined by OECD DAC. The new institutions will be legally created and their key staff will be appointed. These institutions include the regulatory agency, the institution entrusted with the task of conducting prior and post review of procurement decisions as well as reviewing complaints from bidders, and the entities in charge of procurement within Ministries, public enterprises and other public bodies funded by the Government. The national budget will gradually provide for an adequate level of resources (human and financial) to allow such institutions to carry out their mission. Also, the government will start preparing satisfactory standard bidding documents and users guides as well as a training program.

5. **Civil Service Reform.** The government has already elaborated an organization scheme of this reform, which will be implemented over several years. This reform will enable the government to link recruitment to the existence of well-defined positions and set payment according to required qualifications for the position, rather than diploma level and employment duration. The first step, which figures among the HIPC triggers, will consist of launching the public service reform through (i) the adoption by the Cabinet of a satisfactory new organic framework consistent with the PRSP objectives, based on organizational audits;

and (ii) the preparation and submission to the inter-ministerial council of satisfactory new rules and regulations for civil servants with a corresponding compensation and performance assessment system. IDA will help finance these measures through LICUS II and III.

6. **Public debt management.** The assessment criteria below correspond to a grade of "C" under the World Bank's Government Debt Management Performance Measurement Framework.

- **Database**. The Government's public debt management system should include: (i) satisfactory complete within three-month's lag (not necessarily reconciled) debt records for central government domestic, external and guaranteed debt, as well as all debt-related transactions including past debt relief and debt restructuring; (ii) satisfactory records covering the major characteristics of all debt outstanding and disbursed within six month's lag for all public and publicly guaranteed domestic and external debt; and (iii) a satisfactory procedure manual for the government debt management system.

- The **regular satisfactory publication**, including on the internet, of public debt data. This trigger will have been met if an annual debt statistical bulletin or equivalent is published, and the C.A.R. has provided evidence satisfactory to IDA and the IMF that annual public debt data will be published annually. The publication will provide debt data that is not more than 12 months old from the date of publication, including information in scope and detail satisfactory to IDA and the IMF on: central government debt stocks (by creditor, borrower, currency, interest rate basis, and maturity), debt flows (principal and interest payments), and debt ratios/indicators.

7. **Social Sectors**

- In the **education** sector, class-size is 92 pupils per teacher on average, and there is a substantial need for new teachers. In addition, the recent education country status report (RESEN) has also identified the high repetition rate (30 percent in the primary cycle) as a binding bottleneck. The HIPC triggers reflect these priorities. The first trigger will be met once 750 additional teachers (including those with a "scholarship teacher" status) are teaching in primary schools in comparison to the number of teachers teaching in the 2006/07 school year. The second trigger will be met when (i) the government has implemented satisfactory education and administrative measures which aim at achieving a repetition rate of less than 20 percent at the primary level in areas where schools are operating normally, and (ii) a satisfactory dissemination effort has been conducted to ensure that these measures are well-known, understood and effectively implemented.

- In the **health** sector, the HIPC triggers focus on priority policies of the health sector strategy, namely the immunization campaign, the fight against malaria and HIV/AIDS. (i) Immunization: the proposed HIPC completion point trigger is meant to ensure that the rate of DPT3 immunization is at 80 percent nationwide. This target is consistent with OMS and UNICEF policies. As of May 2007, 90 percent of the US47 million needed to implement the full Plan Pluriannuel Complet, had been secured with pledges from GAVI, OMS, UNICEF and the Government. (ii) Malaria:

the government plans to distribute at least 300,000 treated mosquito nets. The government will distribute free of cost long lasting impregnated mosquito nets. The second round of the Global fund financing (scheduled to start in August 2007) and the restructured HIV-AIDS project will finance the purchase and distribution of these impregnated nets.

- **HIV/AIDS**: improve prevention by increasing the social marketing of condoms (proxied by the amount of imports) to an annual level of at least 10 million. This trigger will be considered as met provided that (i) the level of condoms imported reach at least 10 million on an annual basis (from 4.5 million in 2006) and (ii) the government produces a satisfactory qualitative report on the social marketing of condoms which will enable it to assess progress. The government intends to conduct this study under the HIV/AIDS component of the Emergency HIV/AIDS, Health and Education Project funded by IDA.

APPENDIX II. DEBT MANAGEMENT CAPACITY

1. The debt management unit (DMU), the *direction de la dette*, plays primarily an accounting role, and even in that role it is limited by the lack of human and material resources. Personnel are limited in number and often do not have appropriate training. Data from creditor statements are entered manually into spreadsheets and usually not checked for errors. Documentation on debt contracts as well as records of repayments and disbursements are not always reliable and sometimes incomplete.

2. The acquisition of new debt management software is the most feasible improvement at this time and the authorities have been urged to install it without delay. Funding is available from the "PAGES" project from the African Development Bank for the acquisition of SYGADE, a debt management program developed by UNCTAD. The next steps should be to upgrade the computer hardware in the DMU, invest in the training of existing staff, and add staff that could perform technical analysis (macroeconomists, statisticians).

3. The greatest short-term challenge is the development of a coherent strategy on the government side for the clearance of arrears (both external and domestic). The government has given little input to discussions with multilateral and bilateral partners on the issue and entered into agreements with individual creditors on an un-coordinated basis. Domestic debt arrears, which are comprised mostly of supplier and wages arrears, were in the process of being audited, an important precondition to the normalization of salary payments (given the substantial arrears, a number of fraudulent claims have emerged). A plan including both the appropriate clearance of domestic arrears as well as a short-term strategy to avoid renewed accumulation of arrears, particularly in public sector wages, appears to be lacking.

4. Once short-term issues have been addressed, broader debt management and national borrowing strategies need to be developed to ensure long-term debt sustainability. A committee (the Comité National de la Dette Publique–CNDP) was created for the development of such policies, but it has not been operational. Pôle Dette performed a study of the C.A.R.'s debt management strategy and capabilities in 2004, but few recommendations have been implemented. In the medium term, it is important to make the CNDP operational. This may require modifications to the current rules and composition of the CNDP to ensure that the national borrowing strategy is developed in coordination with all appropriate stakeholders, that it is clearly linked to fiscal policies and the broader macroeconomic framework for the country, and that it integrates domestic debt. Also in the medium-term, it would be important to regularly publish reports about public debt, with particular attention to domestic and public enterprise debt, and analysis of how the existing situation fits within the broader borrowing strategy.

5. While the coverage of public and publicly guaranteed external debt is appropriate, continued efforts are needed to build capacity to ensure that the debt is managed in a way consistent with long-term debt sustainability. The DMU should focus on: (i) building and maintaining loan-by-loan data, to rely less on creditors' data; (ii) better tracking disbursements and repayments, and monitoring payments falling due; (iii) training staff; (iv) acquiring a modern debt database and reporting system; and (v) building capacity to undertake debt-related macroeconomic analysis, including debt sustainability analysis.

Appendix III. Joint Bank-Fund Debt Sustainability Analysis

The external low-income country debt sustainability analysis (LIC DSA) shows that the C.A.R. is in debt distress, emphasizing the need for HIPC Initiative debt relief.[19] *Key debt indicators are currently above the policy-dependent thresholds, particularly the net present value (NPV) of external debt-to-export ratio.*[20] *The public DSA highlights the need for a strong fiscal performance if the C.A.R. is to meet its public debt service obligations and clear its arrears.*

A. Background

1. **The C.A.R.'s total public debt (including arrears) at end-2006 is estimated at 96.3 percent of GDP, of which about three-quarters are external liabilities.** External public and publicly-guaranteed (PPG) debt accounts for US1.1 billion, (about 73 percent of GDP), of which US686 million was owed to multilateral creditors, US72 million to Paris Club creditors, and US329 million to other bilateral and commercial creditors. Domestic public debt (including domestic payments arrears) and domestic debt of state-owned enterprises amount to CFAF 184 billion, or about 24 percent of GDP.

2. **A significant share (close to one third of external debt and about half of domestic debt as of end-2006) of the government debt was in arrears.** Progress has been made to clear external arrears[21]: those to IDA were cleared in November 2006, an agreement to clear the AfDB's was reached in December 2006; and arrears to Paris Club creditors were cleared as part of an agreement reached with these creditors in April 2007.[22] The process of clearing domestic arrears is progressing at a slower pace, mainly because of the financial constraints facing the government.

B. Assumptions Underlying the DSA

3. **The baseline scenario relies on the same medium- to long-term macroeconomic framework underlying the HIPC debt relief analysis and is consistent with the three-year PRGF arrangement** (Section III of the main document and Box A1 below). It is based on a continuation of steady growth, supported by a stable political and social situation that should lead to a durable improvement in business confidence and higher investment. A critical element in the baseline scenario is the continued reengagement of the international community—without such engagement long-term prospects for the C.A.R. would be at risk.

---

[19] The DSA has been produced jointly by Bank and Fund staffs.

[20] The LIC debt sustainability framework provides indicative levels (thresholds) for debt burden indicators beyond which a country's risk of debt distress is considered unacceptable. (See "Operational Framework for Debt Sustainability Assessments in Low-Income Countries—Further Considerations," IDA/R2004-0253.) The framework recognizes that better policies and institutions allow countries to manage higher levels of debt, and thus the threshold levels are policy-dependent. The C.A.R.'s policies and institutions, as measured by the World Bank's Country Policy and Institutional Assessment (CPIA), place it as a "weak performer." The relevant indicative thresholds for this category are indicated in text table below.

[21] See Box 1 of the main document for more details on the status of the arrears clearance negotiations.

[22] The agreement provided for: (i) a flow treatment under Naples terms (that will be enhanced to Cologne terms once the country reaches the HIPC decision point); and (ii) a deferral of debt service due during the period of the PRGF arrangement (2007-09).

Box A1: Macroeconomic Assumptions in the Baseline Scenario

Real GDP growth: Average annual real GDP growth over the period 2007-27 is projected at 4¼ percent, which is in line with recent performance. This growth is predicated on maintaining security and sustained political stability, strengthening institutional and administrative capacity, macroeconomic stabilization, and structural reform. Together, these elements should lead to an increase in private investment, especially in the forestry and mining sectors, and telecommunications. Public investment in infrastructure will help revive the agriculture sector, which dominates economic activity.

Inflation: The GDP deflator is projected to increase 2½ percent on average over 2007-27, which is in line with the C.A.R.'s historical experience, but below the Central African Economic and Monetary Community's convergence criteria of 3 percent (defined by the consumer price index).

External sector: The current-account deficit (including grants) is projected to remain at around 4¼ percent on average over the period 2007-27. The trade balance is projected to improve over time, driven by strong export performance as a result of structural reform and infrastructure investment that should enhance the competitiveness and diversification of the export base.

Government balance: The overall fiscal deficit (including grants) is projected to average around ¼ percent of GDP over the period 2007-27. Tax and non-tax revenue should rise from about 10½ percent of GDP in 2007 to about 16 percent at the end of the projection period, mainly as a result of tax and customs administration reform, tax buoyancy from a sustained pace of growth, and a broadening of the tax base. Expenditures are projected to rise to about 18½ percent of GDP by 2026, with an increase in the share of pro-poor spending in overall outlays. Also, the projection assumes limited commercial bank borrowing, which should help reduce the high levels domestic debt.

External assistance: Total grants and loans are assumed to converge to about 3 percent of GDP in the long run. Grants are assumed to account for about two-thirds of total external assistance, and the grant element of new external loans is 53 percent on average for 2007-27.

4. **The baseline scenario assumes full delivery of traditional debt relief.** The financing gap is expected to be met through interim-HIPC Initiative relief. At this stage, the baseline does not reflect the conditional delivery of HIPC assistance at the completion point—this case is presented in the sensitivity analysis.[23]

C. External Debt Sustainability Analysis

Baseline

5. **In the baseline scenario, all debt indicators in 2007 are above the policy-dependent thresholds** (Figure A1 and Table A1).[24] In particular, the NPV of external PPG debt in 2007, estimated at 44 percent of GDP, is substantially above the relevant threshold. Moreover, the NPV of external PPG debt in 2007, estimated at 295 percent of exports, is

[23] See "Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries" posted to the IMF web page on April 16, 2007 and IDA/SECM2007/0226).

[24] Methodologically, the LIC DSA differs from the HIPC DSA in that forward-looking debt ratios, based on single year denominators, are assessed against policy-dependent indicative thresholds. In contrast, under the HIPC DSA, debt ratios are derived on the basis of three-year backward-looking averages and assessed against uniform thresholds across countries. In addition, the results of the LIC DSA differ from the HIPC DSA because of methodological differences related to the definition of discount and exchange rates.

close to triple the level of the relevant threshold. These ratios decline only gradually over time, with the NPV of debt-to-export ratio projected to stay above the threshold until 2015. Compared with these indicators, the NPV of external PPG debt-to-revenue ratio is projected to decline somewhat quicker, owing to the assumed improvement in resource mobilization. The debt service indicators—both relative to exports and to revenue—are more favorable. However, given the accumulation of arrears in the past and the high debt service burden (relative to exports in the initial period), better cash-flow management would be required to ensure timely and regular debt service.

Central African Republic: External Debt Indicators

	Indicative Threshold 1/	2007 Est.	2027 Proj.
NPV of debt-to-GDP	30	44	9
NPV of debt-to-exports	100	295	61
NPV of debt-to-revenue (excl. grants)	200	412	59
Debt service-to-exports	15	27	5
Debt service-to-revenue (excl. grants)	25	38	5

Sources: C.A.R. authorities and IMF and World Bank staffs estimates.

1/ Indicative policy dependent threshold for a weak performer.

Alternative Scenarios and Stress Tests

6. **Two alternative scenarios are considered to gauge the C.A.R.'s external vulnerability** (Table A2)**.** An historical scenario (based on past economic performance) provides similar paths for the debt indicators as the baseline. The similarities reflect the more favorable historical external position (i.e., a lower current account deficit than in the baseline), even though past growth is much less than in the baseline. Nonetheless, the historical performance is not relevant for the current period, due to the long period of political instability and conflict.

7. **A second scenario elaborates on the impact of less favorable terms of external financing.** In this case, less favorable terms of new borrowing have little impact on the projected debt indicators. The projected NPV of external PPG debt-to-GDP is higher by only 5 percentage points in 2027 under this alternative scenario, compared with the baseline. This is due mainly to a modest amount of new borrowing assumed in the baseline scenario, where the bulk of external assistance is provided through grants. This scenario highlights the importance of ensuring that the C.A.R. loan financing is on highly concessional terms.

8. **The standard bound tests indicate that the downward trend of the debt ratios would be preserved under plausible shocks.** The most extreme case would be a hypothetical 30 percent depreciation of the exchange rate in 2008 that would lead to a hike of the NPV of debt-to-GDP ratio to close to 60 percent. Apart from this extreme case, the increase in the debt ratios under other various shocks would be modest.

9. **Financial assistance under the HIPC Initiative and Multilateral Debt Relief Initiatives (MDRI) improve C.A.R's debt situation.** Assuming full delivery of HIPC and MDRI assistance, all three debt burden indicators (NPV of debt-to-GDP ratio, NPV of debt-to-exports ratio, and debt service-to-exports ratio) would fall below the indicative threshold faster than the baseline scenario.[25]

D. Public Sector Debt Sustainability Analysis

10. **As noted above, public sector debt is equivalent to 96 percent of GDP.** About half of the domestic debt is accounted for by domestic payments arrears, which accrued mainly during the period 1998–2004; government liabilities to the regional central bank and commercial banks account for about 36 percent, with the remainder due to state-owned enterprises.

Baseline

11. **Under the baseline scenario, total public debt is expected to decline steadily** (Figure A2 and Table A3)**.** This reflects the projected improvement in fiscal revenue over the long term, which enables the government to repay domestic debt. In particular, the government's liabilities to the regional central bank would be expunged and domestic payments arrears cleared, within the first half of the projection period. Given these assumptions, the NPV of public debt-to-GDP ratio would decline from 64 percent of GDP in 2007 to 10 percent of GDP in 2027, and the NPV of public debt-to-revenue ratio from 602 percent to 63 percent.

Alternative Scenarios and Stress Tests[26]

12. **Two alternative scenarios are considered to gauge the C.A.R.'s public sector debt sustainability** (Table A4)**.** A first scenario with real GDP growth and the primary balance at historical averages provides a more favorable path of the NPV of public debt-to-GDP ratio, compared with the baseline. In contrast, the second scenario with a permanently lower real GDP growth, results in the NPV of debt-to-GDP ratio moving significantly higher.

13. **Under the most extreme stress test, the public debt-to-GDP ratio begins to rise after 2023.** This could occur if real GDP growth is one standard deviation below the historical average in 2008–09 (i.e., -2.4 percent). The NPV of public debt-to-GDP ratio would decline only until 2022, and the debt service ratio would rise quickly beginning in 2010, from about 3 percent of fiscal revenue to about 39 percent at the end of the projection period.

---

[25] Staffs consider that the standard alternative scenarios and stress tests in both the external and public DSA templates adequately reflect the key vulnerabilities facing the C.A.R's debt dynamics. Consequently, the scenario assuming full delivery of HIPC debt relief and MDRI is the only country-specific scenario considered in the sensitivity analysis.

[26] The standard no-reform scenario is not presented as an alternative, since the assumption of the same level of the primary balance as the historical average (a surplus of 0.5 percent) does not provide a relevant reference for the C.A.R. This is because the historical average for the primary balance is positive, which would lead to "negative" domestic debt.

E. Debt Distress Classification and Conclusions

14. **In the staffs' view, the C.A.R is in debt distress.** Key external debt indicators in the initial years are significantly above the policy-dependent thresholds, particularly the NPV of external debt-to-export ratio. Although they decline gradually over time under the baseline, the stress tests indicate that debt indicators are sensitive to GDP growth rates lower than assumed in the baseline scenario and the terms of new borrowing. These vulnerabilities underscore the importance of a stable socio-political environment and sound policies to support a sustained improvement in economic performance. The public DSA highlights, in particular, the need for a strong fiscal performance if the C.A.R. is to meet its debt service obligations and clear its arrears. It also highlights the importance of the continued financial support of the international community in terms consistent with the C.A.R.'s debt situation.

15. **The staffs have discussed this DSA with the authorities.** The authorities generally agreed with the staffs' assessment.

Table A1. Central African Republic: External Debt Sustainability Framework, Baseline Scenario, 2004-27 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2004	2005	2006			2007	2008	2009	2010	2011	2012	2007-12 Average	2017	2027	2013-27 Average
External debt (nominal) 1/	**82.5**	**78.0**	**72.7**			**46.8**	**43.6**	**41.4**	**37.9**	**32.6**	**27.7**		**13.9**	**12.2**	
o/w public and publicly guaranteed (PPG)	82.5	78.0	72.7			46.8	43.6	41.4	37.9	32.6	27.7		13.9	12.2	
Change in external debt	-21.1	-4.5	-5.3			-25.9	-3.2	-2.2	-3.5	-5.3	-4.9		-0.9	0.1	
Identified net debt-creating flows	-9.0	0.4	-5.9			-0.8	0.7	0.6	1.1	1.2	1.2		1.4	-0.3	
Non-interest current account deficit	**0.9**	**6.0**	**2.1**	**1.8**	**2.2**	**3.7**	**3.4**	**3.6**	**4.0**	**4.1**	**4.1**		**4.1**	**2.4**	3.6
Deficit in balance of goods and services	6.0	8.6	7.8			6.9	7.8	7.5	7.6	7.4	7.1		6.2	3.7	
Exports	12.8	12.4	13.9			14.8	14.7	14.6	14.4	14.3	14.2		14.1	15.2	
Imports	18.8	21.1	21.7			21.7	22.4	22.1	22.0	21.7	21.3		20.2	18.9	
Net current transfers (negative = inflow)	-4.4	-2.2	-5.4	-3.5	1.2	-3.0	-3.1	-2.9	-2.8	-2.7	-2.5		-2.0	-1.3	-1.8
o/w official	-3.9	-2.0	-5.2			-2.8	-2.9	-2.7	-2.6	-2.5	-2.4		-1.9	-1.2	
Other current account flows (negative = net inflow)	-0.7	-0.4	-0.3			-0.2	-1.3	-1.0	-0.8	-0.7	-0.6		-0.1	0.0	
Net FDI (negative = inflow)	**-1.9**	**-2.1**	**-2.3**	**-1.0**	**0.9**	**-2.3**	**-2.3**	**-2.3**	**-2.3**	**-2.3**	**-2.3**		**-2.3**	**-2.3**	-2.3
Endogenous debt dynamics 2/	**-8.0**	**-3.5**	**-5.6**			**-2.2**	**-0.4**	**-0.7**	**-0.6**	**-0.6**	**-0.6**		**-0.4**	**-0.3**	
Contribution from nominal interest rate	0.8	0.5	0.6			0.4	1.5	1.1	1.1	0.9	0.7		0.2	0.1	
Contribution from real GDP growth	-1.3	-1.7	-2.9			-2.6	-1.9	-1.8	-1.6	-1.5	-1.3		-0.6	-0.5	
Contribution from price and exchange rate changes	-7.6	-2.3	-3.3			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**-12.1**	**-4.9**	**0.6**			**-25.1**	**-3.9**	**-2.8**	**-4.6**	**-6.5**	**-6.1**		**-2.2**	**0.4**	
o/w exceptional financing	-4.5	-7.3	-8.8			-6.9	-5.2	-4.9	-4.4	-4.2	-3.8		-2.6	0.5	
NPV of external debt 4/	...	...	48.6			43.6	40.9	38.8	35.7	30.8	26.2		13.0	9.3	
In percent of exports	...	...	350.0			294.7	278.8	266.5	247.7	215.8	184.7		92.2	61.1	
NPV of PPG external debt	**...**	**...**	**48.6**			**43.6**	**40.9**	**38.8**	**35.7**	**30.8**	**26.2**		**13.0**	**9.3**	
In percent of exports	**...**	**...**	**350.0**			**294.7**	**278.8**	**266.5**	**247.7**	**215.8**	**184.7**		**92.2**	**61.1**	
In percent of government revenues	**...**	**...**	**517.6**			**411.6**	**376.5**	**343.6**	**308.8**	**260.6**	**216.8**		**96.2**	**58.7**	
Debt service-to-exports ratio (in percent)	**25.7**	**17.2**	**16.0**			**26.9**	**15.8**	**14.5**	**18.8**	**30.8**	**29.5**		**8.3**	**4.7**	
PPG debt service-to-exports ratio (in percent)	**25.7**	**17.2**	**16.0**			**26.9**	**15.8**	**14.5**	**18.8**	**30.8**	**29.5**		**8.3**	**4.7**	
PPG debt service-to-revenue ratio (in percent)	**40.9**	**26.3**	**23.7**			**37.6**	**21.4**	**18.6**	**23.4**	**37.2**	**34.6**		**8.6**	**4.5**	
Total gross financing need (billions of U.S. dollars)	0.0	0.1	0.0			0.1	0.1	0.1	0.1	0.1	0.1		0.1	0.0	
Non-interest current account deficit that stabilizes debt ratio	22.0	10.6	7.4			29.6	6.6	5.8	7.5	9.4	9.0		4.9	2.3	
Key macroeconomic assumptions															
Real GDP growth (in percent)	1.3	2.2	4.1	1.6	4.0	4.0	4.3	4.5	4.2	4.3	4.3	4.2	4.1	4.1	4.2
GDP deflator in US dollar terms (change in percent)	7.9	2.9	4.3	2.8	9.8	6.2	3.0	2.9	3.0	3.2	3.3	3.6	2.5	2.5	2.5
Effective interest rate (percent) 5/	0.8	0.6	0.8	1.1	0.4	0.6	3.3	2.8	2.7	2.6	2.4	2.4	1.5	1.3	1.5
Growth of exports of G&S (US dollar terms, in percent)	9.1	1.7	21.3	0.3	11.6	17.7	6.3	6.8	6.2	6.6	7.1	8.5	7.0	8.6	7.2
Growth of imports of G&S (US dollar terms, in percent)	19.9	17.6	11.7	2.9	11.6	10.5	11.0	6.0	6.8	6.3	5.8	7.7	5.8	5.8	5.9
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	25.9	37.5	44.0	56.9	56.9	56.9	46.4	55.7	47.0	53.1
Aid flows (in billions of US dollars) 7/	0.0	0.0	0.2			0.1	0.1	0.1	0.0	0.0	0.1		0.1	0.2	
o/w Grants	0.0	0.1	0.2			0.1	0.1	0.1	0.1	0.1	0.1		0.1	0.1	
o/w Concessional loans	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.1	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			5.7	3.6	3.8	3.0	2.9	2.8		2.6	2.3	2.5
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			80.3	87.2	79.2	87.8	88.1	88.4		85.2	74.7	82.1
Memorandum items:															
Nominal GDP (billions of US dollars)	1.3	1.4	1.5			1.7	1.8	1.9	2.0	2.2	2.4		3.3	6.3	
(NPVt-NPVt-1)/GDPt-1 (in percent)						-0.4	0.3	0.9	-0.5	-2.5	-2.6	-0.8	-0.1	0.5	-0.3

Source: Staff projections and simulations.

1/ Includes both public and private sector external debt.
2/ Derived as [r - g - r(1+g)]/(1+g+r+gr) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and r = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate change
4/ Assumes that NPV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the NPV of new debt).

Table A2. Central African Republic: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2007-27
(In percent)

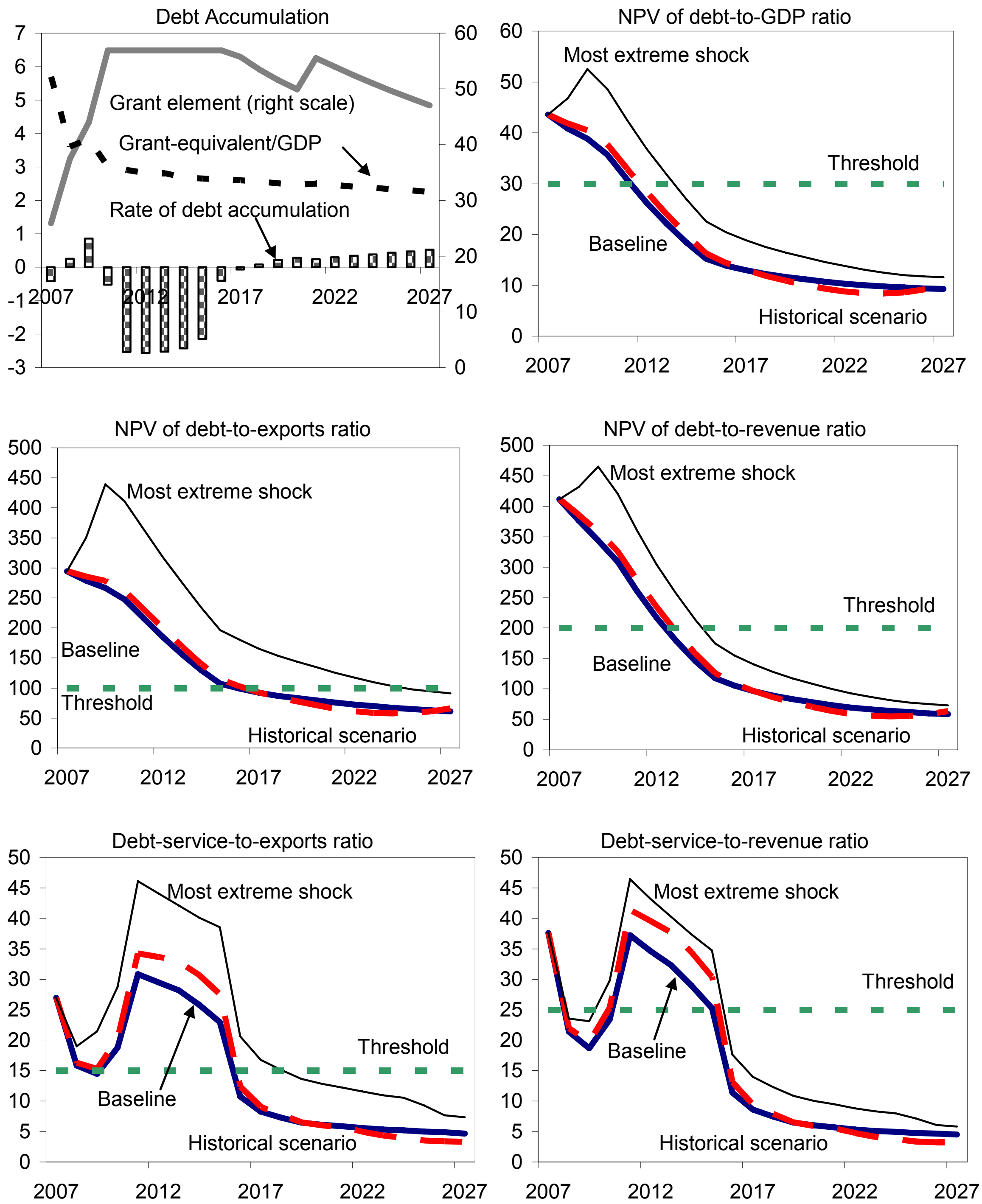
	Projections							
	2007	2008	2009	2010	2011	2012	**2017**	2027
NPV of debt-to-GDP ratio								
Baseline	44	41	39	36	31	26	**13**	9
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008-27 1/	44	42	41	38	33	28	**13**	10
A2. New public sector loans on less favorable terms in 2008-27 2/	44	41	39	36	32	27	**16**	14
A3. Full delivery of HIPC asssitance and MDRI	32	29	28	26	22	19	**10**	9
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008-09	44	44	44	41	35	30	**15**	11
B2. Export value growth at historical average minus one standard deviation in 2008-09 3/	44	43	44	41	36	31	**16**	10
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008-09	44	45	48	44	38	32	**16**	11
B4. Net non-debt creating flows at historical average minus one standard deviation in 2008-09 4/	44	43	43	40	35	30	**16**	10
B5. Combination of B1-B4 using one-half standard deviation shocks	44	47	53	49	43	37	**19**	12
B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/	44	58	55	50	43	37	**18**	13
NPV of debt-to-exports ratio								
Baseline	295	279	267	248	216	185	**92**	61
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2007-26 1/	295	285	278	261	230	200	**92**	66
A2. New public sector loans on less favorable terms in 2007-26 2/	295	280	270	253	222	193	**110**	93
A3. Full delivery of HIPC asssitance and MDRI	215	200	189	180	156	132	**68**	61
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008-09	295	279	267	248	216	185	**92**	61
B2. Export value growth at historical average minus one standard deviation in 2008-09 3/	295	350	439	411	364	318	**166**	91
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008-09	295	279	267	248	216	185	**92**	61
B4. Net non-debt creating flows at historical average minus one standard deviation in 2008-09 4/	295	296	299	279	247	215	**111**	63
B5. Combination of B1-B4 using one-half standard deviation shocks	295	327	379	354	313	272	**141**	80
B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/	295	279	267	248	216	185	**92**	61
Debt service-to-exports ratio								
Baseline	27	16	14	19	31	30	**8**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008-27 1/	27	16	15	20	34	34	**9**	3
A2. New public sector loans on less favorable terms in 2008-27 2/	27	16	15	19	31	28	**9**	6
A3. Full delivery of HIPC asssitance and MDRI	27	16	14	10	24	23	**4**	4
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008-09	27	16	14	19	31	30	**8**	5
B2. Export value growth at historical average minus one standard deviation in 2008-09 3/	27	19	21	29	46	44	**17**	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008-09	27	16	14	19	31	30	**8**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2008-09 4/	27	16	15	20	32	30	**11**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	27	18	19	25	40	39	**14**	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/	27	16	14	19	31	30	**8**	5
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	20	20	20	20	20	20	**20**	20

Source: Staff projections and simulations.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Figure A1. Central African Republic: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2007-27

(Percent)



Source: Staff projections and simulations.

Table A3. Central African Republic: Public Sector Debt Sustainability Framework, Baseline Scenario, 2004-27 1/

	Actual					Estimate	Projections								
	2004	2005	2006	Historical Average 5/	Standard Deviation 5/	2007	2008	2009	2010	2011	2012	2007-12 Average	2017	2027	2013-27 Average
Public sector debt 1/	102.4	100.3	96.3			67.1	61.2	55.7	50.6	43.8	37.3		17.7	13.0	
o/w foreign-currency denominated	82.5	78.0	72.7			46.8	43.6	41.4	37.9	32.6	27.7		13.9	12.2	
Change in public sector debt	-18.3	-2.1	-4.1			-29.2	-5.9	-5.4	-5.1	-6.8	-6.5		-1.8	0.1	
Identified debt-creating flows	-7.1	8.4	-20.6			-7.5	-5.1	-4.7	-3.5	-3.2	-2.7		-0.7	0.5	
Primary deficit	0.9	3.6	-8.7	-0.5	3.2	-3.7	-1.3	-1.2	-0.5	-0.3	-0.2	-1.2	0.2	1.1	0.4
Revenue and grants	11.4	12.2	21.1			15.8	14.1	14.3	14.0	14.2	14.4		15.5	17.4	
of which: grants	3.3	4.1	11.7			5.2	3.3	3.0	2.5	2.4	2.3		2.0	1.6	
Primary (noninterest) expenditure	12.3	15.7	12.4			12.1	12.8	13.2	13.5	13.9	14.2		15.7	18.5	
Automatic debt dynamics	-8.0	4.8	-11.8			-3.8	-3.8	-3.6	-3.0	-2.9	-2.5		-0.9	-0.6	
Contribution from interest rate/growth differential	-2.2	-3.6	-3.9			-4.0	-3.0	-3.0	-2.6	-2.4	-2.1		-0.8	-0.5	
of which: contribution from average real interest rate	-0.6	-1.4	0.1			-0.4	-0.3	-0.4	-0.4	-0.4	-0.3		-0.1	0.0	
of which: contribution from real GDP growth	-1.6	-2.2	-3.9			-3.7	-2.7	-2.6	-2.2	-2.1	-1.8		-0.8	-0.5	
Contribution from real exchange rate depreciation	-5.8	8.4	-7.9			0.2	-0.8	-0.5	-0.4	-0.4	-0.4		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	-11.2	-10.5	16.5			-21.7	-0.8	-0.7	-1.6	-3.6	-3.9		-1.1	-0.4	
NPV of public sector debt	...	...	72.1			63.8	58.4	53.1	48.4	42.0	35.8		16.7	10.0	
o/w foreign-currency denominated	...	...	48.6			43.6	40.9	38.8	35.7	30.8	26.2		13.0	9.3	
o/w external	...	...	48.6			43.6	40.9	38.8	35.7	30.8	26.2		13.0	9.3	
NPV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Gross financing need 2/	1.4	2.4	0.9			3.3	2.1	2.5	3.0	4.6	4.7		2.1	1.9	
NPV of public sector debt-to-revenue and grants ratio (in percent)	...	...	341.8			404	413	371	345	296	248		108	58	
NPV of public sector debt-to-revenue ratio (in percent)	...	...	768.7			602	538	470	419	355	296		124	63	
o/w external 3/	...	...	517.6			411.6	376.5	343.6	308.8	260.6	216.8		96.2	58.7	
Debt service-to-revenue and grants ratio (in percent) 4/	31.2	21.2	15.4			30.3	13.7	15.1	20.5	30.8	30.4		9.8	4.6	
Debt service-to-revenue ratio (in percent) 4/	43.9	31.9	34.7			45.2	17.8	19.1	24.8	37.1	36.2		11.2	5.1	
Primary deficit that stabilizes the debt-to-GDP ratio	19.2	5.7	-4.7			25.5	4.6	4.2	4.7	6.5	6.4		2.0	1.0	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	1.3	2.2	4.1	1.6	4.0	4.0	4.3	4.5	4.2	4.3	4.3	4.2	4.1	4.1	4.2
Average nominal interest rate on forex debt (in percent)	0.7	0.7	0.8	1.2	0.5	0.6	3.3	2.8	2.7	2.5	2.4	2.4	1.5	2.0	1.6
Average real interest rate on domestic currency debt (in percent)	4.8	-0.4	1.7	0.3	2.1	1.1	-6.2	-5.3	-4.5	-4.2	-3.6	-3.8	0.0	-0.4	0.5
Real exchange rate depreciation (in percent, + indicates depreciation)	-5.8	10.6	-10.6	-0.7	11.9	0.4	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	-1.9	2.4	3.8	2.6	1.9	2.5	2.5	2.5	2.4	2.4	2.4	2.5	2.5	2.5	2.5
Growth of real primary spending (deflated by GDP deflator, in percent)	15.5	28.4	-16.2	9.0	24.5	5.4	13.5	9.7	9.9	9.6	9.5	9.6	8.6	8.4	8.6

Sources: Staff projections and simulations.

1/ Includes public and publicly-guaranteed external debt, domestic public debt, budgetary arrears, and domestic debt of state-owned enterprises.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table A4. Central African Republic: Sensitivity Analyses for Key Indicators of Public Debt, 2007-27

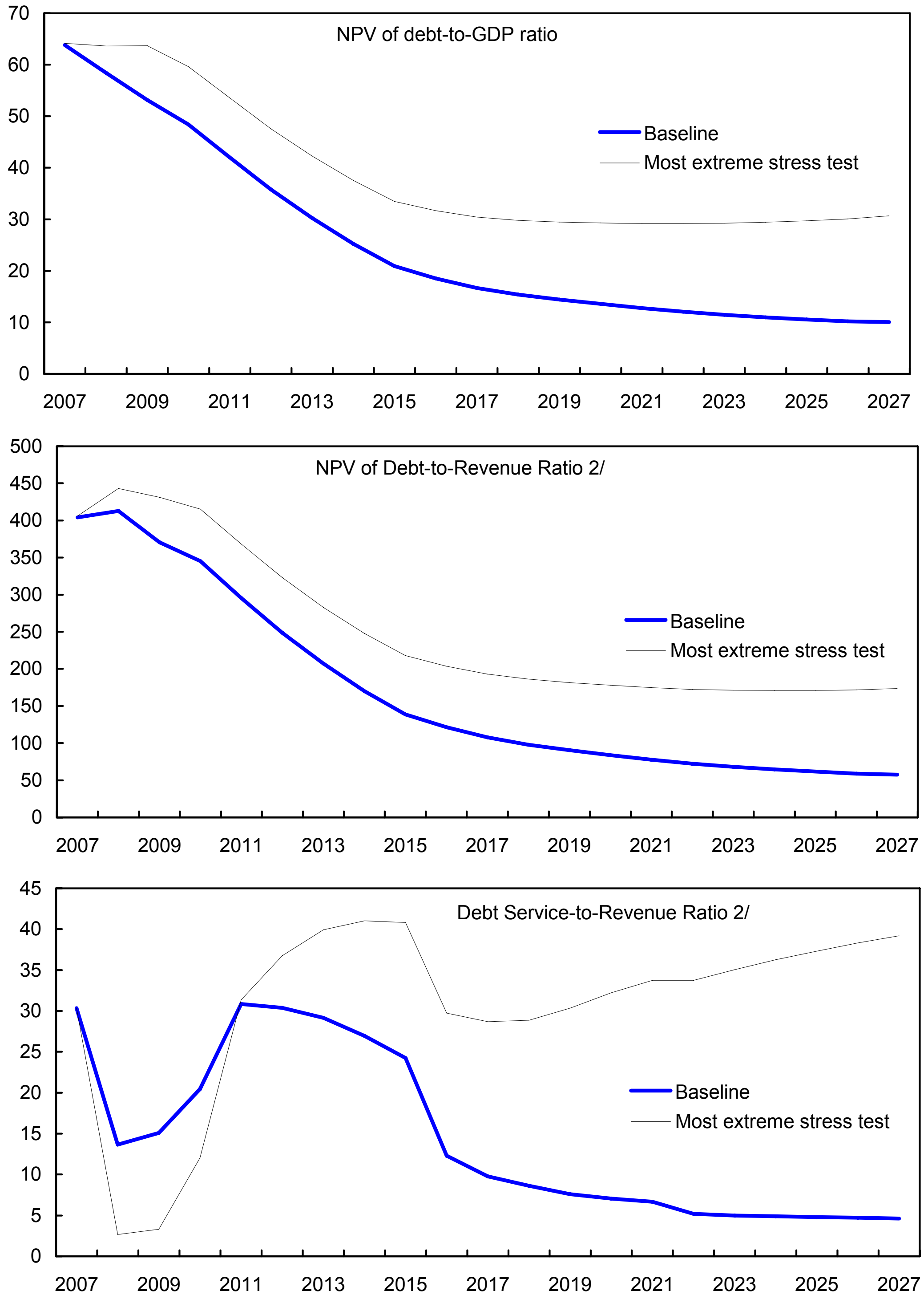
(Percent)

		Projections						
	2007	2008	2009	2010	2011	2012	2017	2027
NPV of Debt-to-GDP Ratio								
Baseline	64	58	53	48	42	36	17	10
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	64	61	58	55	49	43	21	6
A2. Primary balance is unchanged from 2007	67	62	57	52	45	38	16	...
A3. Permanently lower GDP growth 1/	64	60	55	51	45	40	24	29
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008-2009	64	64	64	60	54	48	30	31
B2. Primary balance is at historical average minus one standard deviations in 2008-2009	64	62	60	55	48	42	22	13
B3. Combination of B1-B2 using one half standard deviation shocks	64	64	63	58	50	43	21	11
B4. One-time 30 percent real depreciation in 2008	64	77	72	66	59	52	29	16
B5. 10 percent of GDP increase in other debt-creating flows in 2008	64	67	62	56	49	43	22	13
NPV of Debt-to-Revenue Ratio 2/								
Baseline	404	413	371	345	296	248	108	58
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	406	430	402	384	338	291	...	...
A2. Primary balance is unchanged from 2007	422	436	396	369	315	264	...	...
A3. Permanently lower GDP growth 1/	406	421	384	364	318	275	150	161
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008-2009	406	443	431	415	368	323	193	174
B2. Primary balance is at historical average minus one standard deviations in 2008-2009	406	441	421	394	340	290	139	72
B3. Combination of B1-B2 using one half standard deviation shocks	406	447	432	405	348	295	...	...
B4. One-time 30 percent real depreciation in 2008	406	547	499	472	416	362	188	89
B5. 10 percent of GDP increase in other debt-creating flows in 2008	406	477	429	402	348	297	144	75
Debt Service-to-Revenue Ratio 2/								
Baseline	30	14	15	20	31	30	10	5
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	30	3	4	8	20	20	...	...
A2. Primary balance is unchanged from 2007	30	17	13	13	21	18	...	...
A3. Permanently lower GDP growth 1/	30	3	0	2	17	20	13	39
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008-2009	30	3	3	12	31	37	29	39
B2. Primary balance is at historical average minus one standard deviations in 2008-2009	30	3	20	36	39	34	4	4
B3. Combination of B1-B2 using one half standard deviation shocks	30	3	12	23	30	26	...	...
B4. One-time 30 percent real depreciation in 2008	30	5	4	8	21	23	4	3
B5. 10 percent of GDP increase in other debt-creating flows in 2008	30	3	50	38	41	35	5	5

Sources: Staff projections and simulations.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of 20 (i.e., the length of the projection period).
2/ Revenues are defined inclusive of grants.

Figure A2. Indicators of Public Debt Under Alternative Scenarios, 2007-27

(Percent)



Source: Staff projections and simulations.

1/ Most extreme stress test that yields highest ratio in 2017. The no reform test was not performed because the CAR has had primary surplus in 2006 and most years during the last ten years.

2/ Revenue including grants.