INTERNATIONAL MONETARY FUND

IMF Country Report No. 18/380

CENTRAL AFRICAN REPUBLIC

2018 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND FINANCING ASSURANCES REVIEW

December 2018

In the context of the combined 2018 Article IV Consultation and Fifth Review under the Extended Credit Facility Arrangement, and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 19, 2018, following discussions that ended on November 6, 2018 with officials of the Central African Republic on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. The staff report was completed on December 6, 2018 based on information available at the time of the discussions.
- An **Informational Annex** prepared by the staff of the IMF.
- **Supplementary Information** prepared by the staff of the IMF.
- A **Statement by the Executive Director** for Central African Republic.

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of the Central African Republic*
Memorandum of Economic and Financial Policies by the authorities of the Central African Republic*
Technical Memorandum of Understanding*
*Also included in the Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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December 19, 2018

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fifth Review Under Extended Credit Facility Arrangement for Central African Republic and Approves US$31.6 million Disbursement

- IMF Executive Board also concludes the 2018 Article IV consultation.
- The Central African Republic authorities implement a comprehensive economic reform program to entrench macroeconomic stability, buttress inclusive growth, and reduce poverty.
- Growth is estimated at 4.3 percent in 2017 and is expected to remain broadly unchanged.

On December 19, 2018, the Executive Board of the International Monetary Fund (IMF) completed the fifth review under the Extended Credit Facility (ECF) arrangement for the Central African Republic. Completion of this review enables the disbursement of SDR 22.84 million (about US$31.6 million).

The three-year ECF arrangement was approved by the IMF Executive Board on July 20, 2016 and access has been augmented twice to a total of SDR 133.68 million (about US$185.2 million or 120 percent of the Central African Republic's quota).

Following the Executive Board's discussion on the Central African Republic, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

"Central African Republic's performance under the ECF-supported program has been satisfactory despite a challenging security environment and difficult humanitarian conditions.

"The authorities remain committed to maintain fiscal policy consistent with macroeconomic stability, which is critical for economic growth and poverty reduction. The 2019 budget is anchored to the domestic primary balance objective while allowing a scale-up of social and capital spending. The integration in the budget of previously excluded revenues and expenses of government agencies and funds is an important step to enhance fiscal transparency.

“Strong efforts to mobilize domestic revenues, which remain weak, will be critical to sustainably finance an increase of public services. To that end, the authorities will step up the use of IT tools and modernize the customs and revenue administration. Given the country’s high risk of debt distress, continued reliance on grant financing is essential to support debt sustainability. The implementation of the investment program for the National Recovery and Peacebuilding Plan will boost economic prospects, create jobs, and reduce poverty.

“Structural reforms have progressed, contributing to the strengthening of the treasury single account, streamlining of quasi-fiscal taxes, improved budget transparency and traceability of domestic revenues. Quarterly publication of budget execution reports allows for better tracking and monitoring of government expenditures. More consideration should be given to strengthening financial oversight of public institutions and state-owned enterprises, reducing exceptional payment procedures, improving the business climate, and strengthening the asset declaration regime. It will also be important to follow through on commitments to strengthen governance and transparency in the management of natural resources.

“Central African Republic’s program continues to be supported by the implementation of supportive policies and reforms by the regional institutions in the areas of foreign exchange regulations and monetary policy framework and to support an increase in regional net foreign assets, which are critical to the program’s success.”
The Executive Board of the IMF also concluded the 2018 Article IV consultation with the Central African Republic.

Growth is estimated at 4.3 percent in 2017 and is expected to remain broadly unchanged driven by a dynamic forestry sector, construction and externally financed investment projects. Inflation fell on the back of price declines for food and manufacturing products. Growth could increase to 5 percent in the medium term. However, risks are on the downside, mainly due to the volatile security situation. The projections are predicated on progress in peace and reconciliation efforts under the African Union Initiative, the gradual extension of security forces and public services in provinces, and steadfast implementation of reforms.

In July 2018, the Parliament passed a revised budget to reflect the fiscal performance in the first half of the year. Data through end-September confirms that the fiscal deficit remains contained and that the fiscal program is on track. The current account deficit is estimated at 8.3 percent of GDP in 2017. Currently available information suggests it will remain at a similar level in 2018. While the oil import bill is set to increase, higher timber exports and the sale of stockpiled diamonds will offset the effect on the trade balance. The banking sector remained stable and credit growth to the economy has picked up to 5.2 percent (y-o-y) at end-September 2018.

The Central African Republic authorities have implemented a comprehensive economic reform program to entrench macroeconomic stability, buttress inclusive growth, and reduce poverty. The parliament adopted a 2019 budget consistent with macroeconomic stability. The 2019 budget enhances fiscal transparency by integrating previously excluded fiscal revenues and expenditure. The authorities also envisage to increase social spending. To bolster growth prospects, resilience, and poverty reduction, the authorities have committed to strengthen fiscal revenue mobilization, enhance good governance, promote gender equality and improve the business climate.

Executive Board Assessment[1]

Executive Directors agreed with the thrust of the staff appraisal. Given the persistent insecurity and the large humanitarian needs of the population, they recognized the Central African Republic's efforts to implement its economic program and the satisfactory performance under the ECF arrangement. Directors stressed the importance of rebuilding sound institutions and maintaining macroeconomic stability, which provide an important opportunity toward exiting fragility. Against this difficult backdrop, Directors welcomed the authorities' continued commitment to the program objectives, and underscored the need to implement the National Recovery and Peacebuilding Plan and the development agenda to boost economic prospects. Directors emphasized that higher and inclusive growth will be critical to create jobs and reduce poverty. They underlined the importance of continued Fund engagement through ongoing technical assistance and close coordination with other development partners, paying due regard to the country's absorptive capacity.

Directors welcomed the authorities' commitment to ensure that fiscal policy remains consistent with macroeconomic stability while stepping up social spending. They underscored the importance of further improving domestic revenue mobilization to sustainably expand the provision of public services. In this regard, Directors encouraged the authorities to further strengthen customs and tax administration, enhance information exchange between government agencies, modernize payment systems, and use IT systems more comprehensively. They commended the authorities for integrating in the 2019 budget previously excluded expenditures and revenues from government agencies and funds, as well as for increasing the budget allocation for key ministries providing social services. Directors welcomed the recent simplification of the oil price structure that would limit the fiscal impact of higher global oil prices.

Directors noted the progress in improving public financial management, including regular and timely budget execution reporting and reduced use of exceptional spending procedures. They encouraged the authorities to further streamline quasi-fiscal taxes and levies. Directors underscored the importance of good governance and the fight against corruption. They encouraged the authorities to strengthen the asset declaration regime, implement the United Nations Convention against Corruption, and improve the management of natural resources, including by adhering to the principles of the Extractive Industries Transparency Initiative.

Directors noted the staff assessment that the external position appears weaker than implied by medium-term fundamentals and desirable policies. They pointed out that the insecurity, high transportation cost, and a weak judicial system undermine the country's attractiveness for investment. Noting the high risk of debt distress, Directors recommended limiting borrowing and seeking instead to mobilize grant financing to its fullest extent. They also

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[1] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

called for continued efforts to resolve external arrears. Directors welcomed progress to clear domestic arrears and encouraged steadfast implementation of the strategy while ensuring transparency and accountability of the process.

Directors noted that the Central African Republic’s program continues to be supported by the implementation of policies and reforms by the regional institutions, which are critical to the program’s success. These comprise the implementation of the three policy assurances provided in the June 2018 Letter of Policy Support, as updated with respect to the assurance on NFAs by the December 2018 Letter, and as discussed in the December 2018 union-wide background paper. Completion of the sixth review will be conditional on the implementation of these policy assurances.

It is expected that the next Article IV consultation with the Central African Republic will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Table 1. Central African Republic: Selected Economic and Financial Indicators, 2016–23

	2016	2017	2018		2019	2020	2021	2022	2023
	Est.	Est.	4th. Rev.	Proj.	Proj.				
	(Annual percentage change; unless otherwise indicated)								
National income and prices									
GDP at constant prices	4.5	4.3	4.3	4.3	5.0	5.0	5.0	5.0	5.0
GDP per capita at constant prices	2.6	2.4	2.4	2.4	3.1	3.0	3.0	3.1	3.1
GDP at current prices	11.2	8.1	8.4	7.4	8.2	7.6	7.6	7.6	7.6
GDP deflator	6.3	3.6	3.9	3.0	3.0	2.5	2.5	2.5	2.5
CPI (annual average)	4.6	4.1	4.0	3.0	3.0	2.5	2.5	2.5	2.5
CPI (end-of-period)	4.7	4.2	3.6	2.5	2.3	2.7	2.4	2.6	2.4
Money and credit									
Broad money	5.8	10.3	8.5	2.3	11.6	7.6	7.6	7.6	7.6
Credit to the economy	17.5	-0.1	5.9	5.5	3.3	7.7	7.3	8.7	11.0
External sector									
Export volume of goods	52.3	42.5	9.3	10.0	10.4	8.1	8.6	8.6	5.5
Import volume of goods	13.4	-2.5	6.7	5.2	6.2	5.4	5.7	5.3	5.7
Terms of trade	-0.4	-19.0	-11.4	-13.4	0.2	1.2	2.7	0.6	0.4
	(Percent of GDP; unless otherwise indicated)								
Gross national savings	8.2	5.5	6.9	7.3	9.0	9.9	10.6	11.3	12.0
Of which: current official transfers	3.7	1.9	3.3	3.1	2.8	2.0	1.8	1.6	1.4
Gross domestic savings	-3.3	-3.7	-3.0	-2.9	-0.3	1.2	2.0	3.0	4.0
Government	-1.0	-1.5	-0.1	-0.5	0.3	0.5	0.8	1.1	1.4
Private sector	-2.3	-2.2	-2.9	-2.4	-0.6	0.7	1.2	1.8	2.5
Consumption	103.3	103.7	103.0	102.9	100.3	98.8	98.0	97.0	96.0
Government	7.3	7.5	7.0	7.3	7.5	7.7	7.7	7.7	7.7
Private sector	96.0	96.2	96.0	95.5	92.8	91.1	90.3	89.3	88.3
Gross investment	13.7	13.8	15.3	15.9	16.6	16.8	16.2	16.2	16.6
Government	3.1	4.8	6.3	6.9	7.5	7.8	7.2	7.2	7.1
Private sector	10.6	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.5
External current account balance									
with grants	-5.5	-8.3	-8.4	-8.6	-7.6	-7.0	-5.7	-4.9	-4.7
without grants	-10.7	-11.7	-13.2	-13.3	-11.7	-10.6	-9.2	-8.4	-8.0
Overall balance of payments	0.9	3.1	-1.6	-1.8	-0.2	1.4	1.6	1.9	2.1
Central government finance									
Total revenue (including grants)	14.1	13.7	16.6	17.5	18.8	18.3	17.9	18.0	18.1
of which: domestic revenue	8.2	8.3	9.2	9.3	10.7	10.9	11.2	11.5	11.8
Total expenditure [1]	12.6	14.8	15.8	16.8	18.1	18.4	17.7	17.7	17.7
of which: capital spending	3.1	4.8	6.3	6.9	7.5	7.8	7.2	7.2	7.1
Overall balance									
Excluding grants	-4.4	-6.5	-6.6	-7.6	-7.4	-7.4	-6.5	-6.2	-5.9
Including grants	1.6	-1.1	0.9	0.7	0.7	-0.1	0.1	0.3	0.4
Domestic primary balance [2]	-1.1	-2.2	-1.4	-1.4	-1.2	-1.2	-0.9	-0.6	-0.3
Public sector debt	56.0	52.8	47.0	48.5	42.2	39.2	36.4	33.8	31.5
Of which: domestic debt [3]	26.3	25.1	21.2	22.5	18.0	16.6	15.3	14.0	12.9
Of which: external debt	29.6	27.8	25.8	26.0	24.2	22.6	21.1	19.7	18.6
PPP per capita (PPP dollars)	651.8	676.9	705.9	705.9	735.8	765.0	795.0	824.8	855.9
Nominal GDP (CFAF billions)	1,041	1,126	1,218	1,209	1,308	1,408	1,515	1,630	1,754

Sources: C.A.R. authorities and IMF staff estimates and projections.

[1] Expenditure is on a cash basis.

[2] Excludes grants, interest payments, and externally-financed capital expenditure.

[3] Comprises government debt to BEAC, commercial banks and government arrears.

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

December 6, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. The Central African Republic (C.A.R.) is a fragile state with an unstable security environment and widespread poverty. Macroeconomic conditions have stabilized following the 2013 crisis: growth has resumed, inflation has declined, domestic revenues have recovered, and debt ratios have decreased. The government's economic strategy is supported by an arrangement under the Extended Credit Facility (ECF)—launched in July 2016—with total access of SDR 133.68 million (120 percent of quota).

Program. Program performance has been satisfactory. All end-June 2018 quantitative and continuous performance criteria were met. Discussions focused on the 2019 budget, policy responses to a higher global oil price, and reforms to improve public financial management and governance. The program is supported by union-level efforts to maintain an appropriate monetary policy stance, build up regional reserves, and promote financial sector stability.

Medium-term Outlook. Staff projects a gradual recovery. Risks are on the downside due to insecurity. Stronger growth and reducing poverty will require restoring peace, extending public services to the provinces, maintaining momentum of the implementation of externally-financed investments, implementing reforms to spur private sector-led and inclusive growth, and improving governance.

Key policy recommendations. Prioritize domestic revenue mobilization to sustainably finance the extension of public services; strengthen transparency and good governance to build legitimacy and trust; step up efforts to fight poverty and improve the business environment; and promote gender equality to boost resilience.

Staff's view: Staff supports the authorities' request for completion of the fifth review under the ECF arrangement. Completion of this review will release a disbursement equivalent to SDR 22.84 million. Staff also recommends completion of the financing assurances review.

Approved By
Annalisa Fedelino (AFR) and Martin Sommer (SPR)

Discussions took place in Bangui (October 26–November 6). The staff team comprised Mr. Toujas-Bernaté (Head, joined discussions from November 3–6), Ms. Tenison, and Messrs. Ouedraogo, Davies, and Stenzel (all AFR), and Messrs. Benon and Zoungarani (Resident Representative and Local Economist). The team met with President Touadéra, Prime Minister Sarandji, Finance and Budget Minister Dondra, Economy, Planning and International Cooperation Minister Moloua, the National Director of BEAC and senior government officials. The team exchanged with other government members during a seminar and met with Parliamentarians, representatives of the business, diplomatic and donor communities, as well as representatives from trade unions and civil society. Ms. Attey's help with the production of the staff report is gratefully acknowledged.

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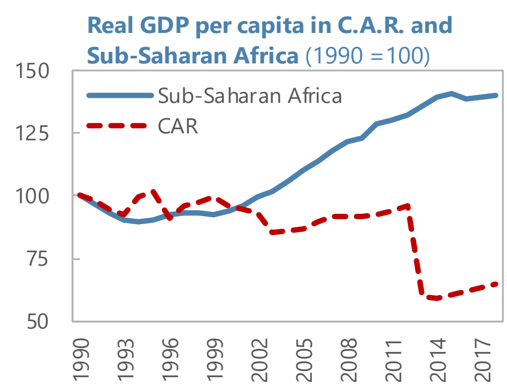
CONTEXT: BUILDING STATE INSTITUTIONS

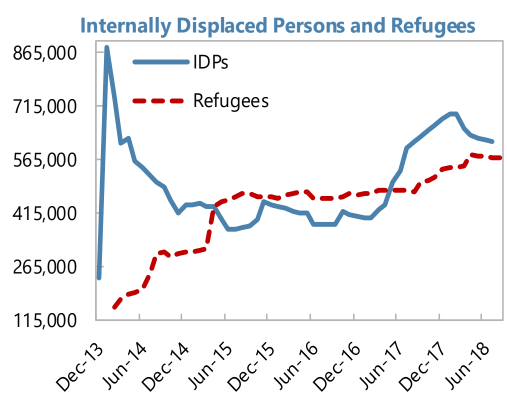
1. **The Central African Republic (C.A.R.) is caught in a fragility trap.** Over the past decades, poor governance, lack of opportunities, and a proliferation of armed groups have led to political instability and eroded state control across the territory. As a result, per capita GDP has declined steadily. When rebels overran the capital in 2013, the ensuing turmoil dramatically worsened the humanitarian and economic situation. Today, the World Bank estimates that the poverty rate exceeds 70 percent. Half of the population rely on humanitarian assistance (Box 1).

2. **The return to constitutional order in 2016 has provided an opportunity for a fresh start.** Upon taking office, President Touadéra's administration set out to address the key challenges of promoting peace and reconciliation, improving governance, fighting poverty and gender inequality, while maintaining macroeconomic stability. A United Nations multidimensional peacekeeping mission helps to create an enabling environment to rebuild state structures across the country. Nevertheless, tensions and violence have picked up since 2017, and the number of internally displaced people and refugees has increased (Text Figure 1). The security situation remains unsettled and a wave of deadly violence hit the capital Bangui earlier this year.

Text Figure 1. Central African Republic: Humanitarian Situation



Source: IMF World Economic Outlook



Source: UNHCR

3. **A comprehensive peace agreement remains elusive.** The African Union facilitates the peace process and has achieved some traction. An AU-mandated panel conducted several rounds of field visits and documented grievances which will form the basis for the dialogue between the Government and fourteen officially recognized armed groups. In parallel, local authorities, armed groups, civil society and religious leaders are undertaking mediation efforts at the community level aimed at addressing local conflict dynamics.

4. **The government's priorities are to restore the authority of the state and fight poverty.** The administration has been deployed in most regions (12 out of 16). The government has strengthened its security cooperation with bilateral partners to rebuild, train, and equip domestic security forces which remain largely dependent on external support. This has allowed

the government to accelerate the redeployment of the national army outside of the capital, in close cooperation with peacekeepers. The National Recovery and Peacebuilding Plan (NRPP), covering 2017 to 2021 and backed by substantial donor support, provides a framework to rebuild public administration, fight poverty, and promote economic recovery.

5. **The extended credit facility (ECF) arrangement, in place since 2016, has anchored macroeconomic policies**. The program has catalyzed substantial budget support from the World Bank (WB), African Development Bank (AfDB), European Union, and France. It is part of the Fund's comprehensive approach to address challenges in the Central African Economic and Monetary Union (CEMAC) and its strategy is fully in line with regional reform priorities. Implementation of past policy recommendations has been satisfactory (Table 12). Macroeconomic stability has been preserved and domestic and external debt are on a declining trend.

6. **The IMF's modus operandi in C.A.R. internalizes the country's fragility.** Policy advice is integrated in a comprehensive capacity building program, comprising hands-on capacity building missions and a targeted training program. Key technical assistance recommendations inform the structural reform agenda of the ECF-supported program, and review missions and staff visits regularly follow-up on the implementation of recommended measures. To address political economy considerations and resistance from vested interests, staff engages the authorities early by providing options and flexibility in the reform agenda.

RECENT DEVELOPMENTS

7. **The economic recovery continues but, remains muted.** Since 2016, growth averaged 4.4 percent and is estimated to reach 4.3 percent in 2018 driven by a dynamic forestry sector, construction and externally financed investment projects. Average inflation fell on the back of price declines for food and manufacturing products.

8. **Parliament passed a revised budget for 2018 in July**. Data through end-June confirms that the fiscal program, including revenue, is on track. The domestic primary balance—on a cash basis—overperformed due to underspending on domestically-financed investment and transfers and subsidies. The global oil price increase poses a slight risk to the 2018 revenue projection, but the underspending is unlikely to fully reverse, thus mitigating risks to the deficit target of the program.

Box 1. Fragility and Living Conditions in Central African Republic

C.A.R.'s fragility results from multiple factors. A lack of social cohesion, concentration of political power in a very small elite, disparities between Bangui and the periphery, illicit exploitation of natural resources, impunity and a lasting state of insecurity, have contributed over the years to erode trust and public institutions (see IMF Staff Report on 2016 Article IV and ECF Program request).

A nation-wide survey provides insights into living conditions.[1] The Central African Institute of Statistics and Economic and Social Studies (ICASEES), with financial and technical support of the World Bank, conducted a survey in 2016 to gather data and better understand current living conditions.

Economic activity is dominated by smallholder agriculture. Livestock, mining, and the forestry sector are of secondary importance. Commerce and public employment are predominant in Bangui, the capital. The forestry industry, generating more than 60 percent of export revenues, is mainly located in the southwestern regions. Mining contributes little to the formal economy, although the survey suggests that it employs one hundred thousand individuals, a possible underestimation.

Infrastructure is lacking and access to services is low. Electricity supply is limited to Bangui and a few neighboring communities, and even there, supply falls well short of demand. Only 30 percent of municipalities reported having access to clean water either through the national water company or water pumps. Cell phone network coverage is available in less than half of the country and access to banking services is minimal outside of Bangui. Just 43 percent of municipalities reported having functioning primary schools in their biggest villages. The situation is even worse for health centers. Local authorities cited a lack of facilities and a shortage of qualified personnel as main constraints.

The household survey revealed the impact of the 2013 crisis. Most people work in agriculture without formal employment. Households generally own few productive assets (hoes, bike, carts, ploughs, etc.,) or household items (e.g., furniture, radio, mobile phone, television, etc.,). Asset ownership declined in 2016 compared to 2012. For example, the number of households with a bike decreased from 30 to 15 percent and with a radio from 42 to 23 percent. Education levels are generally low. In rural areas, less than 20 percent have secondary or higher education. Almost 50 percent of women have no formal education.

[1] See "2016 National Commune Monography Survey" available under http://documents.worldbank.org/curated/en/154771488193937523/Central-African-Republic-2016-National-commune-monography-survey for a detailed presentation of the results.

9. **The external position is broadly unchanged and credit to the economy is rebounding.** The increase in timber and diamond exports was matched by a higher oil import bill due to higher prices and U.S. dollar appreciation. Diamond exports were boosted temporarily by the sale of a stockpile that was accumulated during the crisis. Net foreign assets have increased over the last two years but are projected to fall this and next year. The external position is weaker than implied by medium-term fundamentals and desirable policies, largely due to structural factors responsible for the weak business environment while macroeconomic policies are broadly in line with desirable medium-term values (Annex IV). Credit to the economy increased by 5.2 percent (y-o-y) at end-September, a clear uptick compared with the decline of 0.1 percent in 2017.

10. **C.A.R. is at high risk of debt distress but vulnerabilities are declining.** The July 2018 debt sustainability analysis (DSA) showed that C.A.R.'s debt trajectory is vulnerable to GDP, export, and revenue shocks. C.A.R. has contracted one new loan of US$13 million (0.6 percent of

GDP) in 2018 with a grant element of 50.2 percent to revamp a road to the airport. This is in line with the memorandum items of the ECF arrangement on concessional borrowing. Post-HIPC arrears have been regularized as the authorities signed an agreement with India. Repayments will now start in 2023 over a 20-year period. Regarding domestic debt, C.A.R. continues to repay commercial banks and started interest payments on the consolidated debt to BEAC.

11. **The CEMAC regional economic situation remains challenging, with shortfalls in reserves accumulation.** Regional growth could improve to 2.3 percent in 2018 (1 percent in 2017), largely from a rebound in oil production. However, end-September BEAC's net foreign assets (NFAs) were significantly below projections, caused by delays in external financing, mixed program performances, and slow repatriation of export proceeds. In response to this shortfall, the BEAC took corrective actions, increasing its policy rate from 2.95 to 3.5 percent on October 31, and enhancing implementation of the existing foreign exchange regulation. On October 25 in N'djamena, CEMAC heads of state reiterated their commitment to the Yaoundé summit's regional strategy, and to strengthen their cooperation to restore external and fiscal stability in the region.

PROGRAM PERFORMANCE

12. **Performance under the program has been satisfactory.** All end-June 2018 quantitative and continuous performance criteria were met (MEFP Table 1). Domestic revenues stood at CFAF 56.7 billion (vs. a floor of CFAF 53.4 billion), the primary balance was CFAF 0.0 billion (vs. a floor of CFAF -10.0 billion), and domestic arrears repayments reached CFAF 19.0 billion (vs. a target of CFAF 14.2 billion). Fiscal performance through end-September is in line with the program and year-end targets will likely be met. No new non-concessional debt has been contracted. Social spending reached CFAF 12.5 billion (vs. an indicative floor of CFAF 9 billion), while the share of spending through exceptional procedures exceeded the indicative ceiling of 5 percent despite a decline from 24 percent in 2017 to 9 percent in the first two quarters.

13. **All end-June and end-September structural benchmarks have been implemented (MEFP Table 2).** Debt service projections based on Sygade are available, and forestry and mining permits issued since January 1, 2018 have been published. Two of three structural benchmarks for end-June 2018 were not met in time, reflecting delays in securing donor funding to undertake external audits of two agencies and longer than anticipated internal consultations to revise the petroleum products pricing structure: the audits of the forestry fund and the telecommunication agency were completed in October and the revision of the oil price structure was adopted in November, generating fiscal savings of 0.1 percent of GDP.

14. **Progress on structural fiscal reforms has been satisfactory albeit uneven.** The implementation of the revenue convention with banks has led to a notable decline in the discrepancy of revenues reported by tax and customs departments and the revenues registered at the treasury. The rationalization of parafiscal taxes is progressing, although the envisaged

audits of all structures require more time than anticipated. The revised budget law included a list of cash funds and introduced ceilings for their usage—important steps to reduce the reliance on exceptional spending procedures.

ECONOMIC OUTLOOK AND RISKS

15. **Staff expects growth to reach 5 percent from 2019 onward.** The growth projection is predicated on the gradual restoration of peace, extension of public services to the provinces, successful absorption of externally-financed investment, and a steadfast implementation of reforms (Text Table 1). Grant-financed projects to expand hydropower and solar energy are set to double existing production capacity which will ease the energy supply bottleneck. Inflation is projected to fall below 3 percent, while the current account deficit is expected to gradually decline over the medium term, as forestry exports pick up. Net transfers are expected to remain substantial, comprising official grants and private transfers mainly from non-governmental organizations. Foreign direct investment is projected to gradually increase from a very low level, notably in the telecommunication and forestry sectors.

Text Table 1. Central African Republic: Medium-Term Outlook 2017–23

	2017	2018		2019	2020	2021	2022	2023
		IMF CR 18/204						
	Est.	Est.	Proj.			Proj.		
Real GDP	4.3	4.3	4.3	5.0	5.0	5.0	5.0	5.0
Inflation (period average)	4.1	4.0	3.0	3.0	2.5	2.5	2.5	2.5
Current account balance (percent of GDP)	-8.3	-8.3	-8.6	-7.6	-7.0	-5.7	-4.9	-4.7
Overall fiscal balance (incl. grants, percent of GDP)	-1.1	0.9	0.7	0.7	-0.1	0.1	0.3	0.4
Domestic primary balance (percent of GDP)	-2.2	-1.4	-1.4	-1.2	-1.2	-0.9	-0.6	-0.3
Public Debt (percent of GDP)	52.8	47.0	48.5	42.2	39.2	36.4	33.8	31.5

Sources: C.A.R. authorities and IMF staff estimates and projections

16. **A stronger rebound is possible, but risks are titled to the downside.** An escalation of violence could exacerbate the humanitarian crisis, reduce growth, increase inflation, and lower tax revenues (Table 11). Lack of political cohesion and weak capacity could undermine the implementation of the authorities' peace and development strategy, delay public investment projects, or lead to policy missteps. Externally, delays in CEMAC regional adjustment, of external support, or further increases in global oil prices could weigh on the fiscal balance and the balance of payments. If a domestic or external shock materializes, macroeconomic stability could be jeopardized by an increasing fiscal deficit which, in the absence of alternative financing options, could lead to renewed arrears accumulation. At the same time, there is strong upside potential to growth if the reform agenda is swiftly implemented, an inclusive peace agreement is reached, and the embargo on diamond exports progresses from a partial lift to fully lifted.

17. **The authorities underlined upside risks to the outlook.** Their optimism is based on the government's progress to promote peace, restore the authority of the state and accelerate the execution of externally-financed investment programs. However, they acknowledge the uncertainties around the baseline and substantial downside risks. In the event of a negative shock, they are committed to adjusting non-priority or domestically-financed investment spending to avoid jeopardizing hard won macroeconomic stability.

POLICY DISCUSSIONS

Policy discussions on ensuring stability in the short term centered on the 2019 budget, the impact of higher global oil prices, and further measures to improve public financial management and transparency. Discussions on boosting medium-term growth and making it inclusive focused on challenges to support public service delivery and improving the business environment. To this end, staff stressed the importance of increasing domestic revenue mobilization, strengthening transparency and good governance, and supporting reconciliation by creating economic opportunities, reducing poverty, improving the business environment, and promoting gender equality.

A. Policy Theme # 1: Reinforcing Macroeconomic Stability

The 2019 Budget

18. **The budget submitted to Parliament is consistent with the program.** The budget targets a domestic primary deficit of 1.2 percent of GDP, with domestic revenues of 10.7 percent of GDP, and domestic primary spending of 11.9 percent of GDP. Revenue and expenditure ratios are expected to rise compared to 2018 as revenues and expenses of several government agencies and funds have been included—an important step to enhance fiscal transparency (Text Table 2) (MEFP, ¶12).

Text Table 2. Central African Republic: Budget 2019

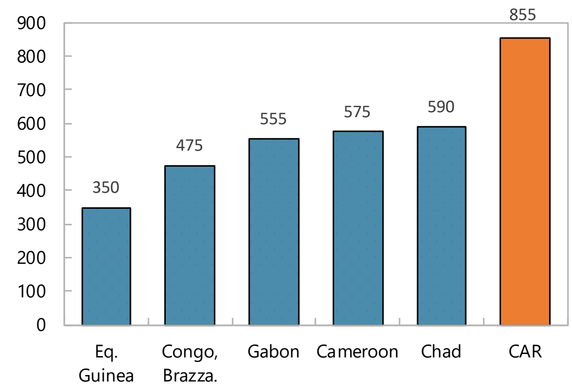
	2018	2019	
	proj.	4th Review	Draft Budget
Total Revenue	17.5	17.0	18.8
Domestic Revenue	9.2	9.5	10.7
Tax Revenue	8.5	8.7	8.6
Non-tax revenue	0.8	0.8	2.1
of which: previously excluded revenues			1.1
Grants	8.3	7.6	8.1
Program	3.1	2.7	2.8
Project	5.2	4.8	5.3
Expenditure	15.7	16.4	18.1
Current primary expenditure	9.3	9.2	10.2
Wages and salaries	5.0	5.0	4.9
Transfers and subsidies	2.3	2.2	2.7
of which: counterpart of parafiscal taxes			0.5
Goods and services	2.3	2.1	2.7
of which: counterpart of parafiscal taxes			0.4
Capital expenditure	6.9	6.9	7.5
Domestically financed	1.1	1.5	1.7
Externally financed	5.8	5.4	5.8
Interest	0.3	0.3	0.3
Overall Balance	0.7	0.7	0.7
Domestic primary balance	-1.4	-1.2	-1.2

19. **Reforms of tax administration and recording of parafiscal taxes underpin the revenue projection.** Expiring tax exemptions, reforms to strengthen revenue administration, and a revised reference price for wood exports are estimated to result in a fiscal gain of 0.3 percent of GDP. Staff cautioned that the benefits of administrative reforms may take time to bear fruit. The integration of parafiscal taxes is expected to lift recorded revenues by more than 1 percent of GDP (MEFP, ¶13), but with a marginal net gain (0.1-0.2 percent of GDP) for the budget in the short term.

20. **Social spending will be increased.** The draft budget envisages a contained wage bill in the absence of major net hiring. Higher current spending for transfers and goods and services largely reflect higher social spending and the counterpart of the integration of "parafiscal" taxes. The most important spending increases are proposed for the ministries of education (+21.4 percent) and health (+27.9 percent), mainly for higher investment in health centers and schools (MEFP, ¶14).

21. **Higher global oil prices could weigh on the budget.** The recent volatility in international oil prices could affect the budget if prices were to increase. To limit the fiscal impact, the authorities simplified the oil price structure generating savings of 0.1 percent of GDP. Petroleum retail prices are significantly higher than in all neighboring countries, limiting the scope for upward adjustments (Figure 2). This notwithstanding, the authorities have signaled considering changing retail prices if necessary. Staff advised to accompany it by careful communication and steps to protect the most vulnerable to ensure broad public support. The recent drop in oil prices presents an upside risk to budget balances.[2]

Text Figure 2. Central African Republic: Price of Diesel, June 2018 (CFAF/ Liter)



Source: Hydrocarbons Prices Stabilization Fund

Clearing Domestic Arrears

22. **Domestic arrears clearance continues.** The authorities adopted a comprehensive and time-bound plan to clear domestic arrears (Text Table 3)[3]. The plan contains strong safeguards to ensure the transparency of the repayment process, including quarterly progress reports produced by an international auditor. It is expected that repayments of these arrears reach 2.3 percent of GDP by end 2018. Strict control and identification requirements delayed some

[2] The 2019 budget assumed international oil price at $75/barrel.

[3] Only the repayments of arrears accumulated before 2014 are shown in the Text Table 3.

repayments which are now expected to happen in 2019. Regular reports by an external auditor confirm the implementation of the strategy and the application of safeguards (MEFP, ¶24).

Text Table 3. Central African Republic: Domestic Arrears Repayment Plan

	2017	2018				2019			
	Q4	Q1	Q2	Q3 proj.	Q4 proj.	Q1 proj.	Q2 proj.	Q3 proj.	Q4 proj.
Wage and Pension Arrears									
Stock									
(in CFAF billion)	64.9	62.5	57.3	56.9	50.8	44.2	33.2	22.1	11.1
(in percent of GDP)	5.8	5.1	4.7	4.7	4.2	3.3	2.5	1.7	0.8
Repayments	2.4	5.2	0.4	6.1	6.6	11.1	11.1	11.1	11.1
Arrears to Small and Medium-Sized Enterprises									
Stock									
(in CFAF billion)	9.2	9.2	3.8	0.8	0.8	0.0	0.0	0.0	0.0
(in percent of GDP)	0.8	0.8	0.3	0.1	0.1	0.0	0.0	0.0	0.0
Repayments	0.0	5.4	3.0	0.0	0.8	0.0	0.0	0.0	0.0

Source: C.A.R. authorities and IMF Staff calculations.

Financial Stability

23. **Financial sector stability and development remain a key objective.** Banks remain adequately capitalized and non-performing loans have declined to around 22 percent from 31 percent at end-2015, but the sectoral distribution shows huge disparities (Table 9). The mining, manufacturing, and real estate sectors have the highest NPL ratios, reaching more than 50 percent of total gross loans. C.A.R.'s four banks have implemented key recommendations of the Commission Bancaire de l'Afrique Centrale (COBAC), the regional banking supervisor, related to governance and compliance with prudential standards. There are some delays, however, on implementing recommendations regarding internal controls and anti-money laundering including the identification of mobile banking users and the update of IT system by banks.

Authorities' Views

24. **The authorities are fully committed to macroeconomic stability**. In this regard, they will cut non-priority spending if revenues underperform, to contain the primary fiscal deficit. If oil prices increase further, they will consider increasing pump prices to limit the loss of fiscal revenue. They committed to clear all 2003 salary arrears and those of November and December 2002 by the end of 2018 (MEFP, ¶24). Regarding the financial sector, they underlined their support for the ongoing implementation of COBAC's recommendations and will closely monitor the implementation of the remaining measures (MEFP, ¶29).

B. Policy Theme # 2: Revenue Mobilization

25. **The 2013 crisis undermined revenue collection**. Tax revenues fell from almost 10 percent of GDP in 2012 to 4.4 percent of GDP in 2014. Tax revenues are expected to recover to about 8.4 percent of GDP in 2018 on the back of improved tax and customs controls and tax policy changes, notably an increase in excise taxes. Revenues are low compared to other

countries in the region and in fragile situations. This can be explained in part by C.A.R.'s low per-capita income, the high share of agricultural activity in the economy, and the high degree of fragility and weak institutions, including partial control of territory (Figure 1). Mobilizing this potential will be critical to sustainably finance ambitious plans to extend public services in provinces, including security.

26. **Staff stressed that a determined push to strengthen revenue administration could substantially increase domestic revenues and help improve governance.** Sustained revenue mobilization is a long-term effort which requires consistent institutional development and strong political leadership.[4] While C.A.R.'s tax rates are broadly appropriate, revenue administration could be strengthened by using IT systems more comprehensively, ensuring the consistent application of legislation, and stepping up tax and customs controls (MEFP, ¶18). Fighting fraud will be equally important by, among other things, better controlling widely-used imports such as cement or cooking oil and publishing the results of monthly meetings to reconcile valuations used by customs (proposed structural benchmark, end-December 2018, MEFP, ¶18). In the longer run, increasing formal economic activity in the mining, forestry, agro-industrial, and telecommunications sectors could boost domestic revenues. Furthermore, the collection of provincial revenues could be improved while ensuring commensurate transfers and service delivery.

Authorities' Views

27. **The authorities agreed with the thrust of staff's recommendations.** They emphasized their strong commitment to overhauling revenue administration and expressed their appreciation for the Fund's technical assistance. They highlighted that work is underway to build a new headquarters for the tax administration which will help modernize outdated information technology and expressed strong interest in adopting new technology to facilitate revenue collection and tax payments. In particular, they will draw on the experience of Rwanda and Senegal on the use of IT tools to mobilize domestic revenue and committed to set up a new IT platform at the Ministry of Finance by end-December 2018 (MEFP, ¶22). At the same time, they emphasized that reforms will take time to take root and that external support will remain important, particularly, Fund technical assistance.

C. Policy Theme # 3: Good Governance and Fighting Corruption

28. **Weak institutions and perceived corruption undermine the legitimacy of the state (Annex II).** Building accountable institutions will be critical to address widespread concerns about nepotism, clientelism, and corruption. Staff stressed that improving governance would yield economic benefits. There is ample evidence that good governance and reduced corruption

[4] Recent analysis (Regional Economic Outlook for sub-Saharan Africa 2018) finds only 6 episodes of sustained revenue mobilization—defined as an increase of non-resource revenues of 2 percentage points of non-resource GDP over a three-year period—using a data set covering 44 sub-Saharan countries from 2000–16.

are associated with higher growth and tax revenues. [5] Key channels include: improved macro-financial stability, higher public and private investment, and stronger incentives for human capital accumulation, paying taxes and complying with the law.[6] In staff's view, an ambitious agenda to improve governance could initially focus on promoting fiscal transparency, strengthening the anti-corruption regime, and improving natural resource management. As a next step, work will be expanded to cover other key areas of governance weaknesses, including regulatory framework and rule of law.

Fiscal Transparency

29. **Reforms to improve public financial management make head-way.** The authorities publish quarterly budget execution reports, closed more than two hundred government accounts in private banks, submitted budget settlement laws for 2016 and 2017 to the court of auditors for validation, established ceilings for the use of cash funds, and took measures to reduce the use of exceptional spending procedures. The transition to a new financial management system is envisaged for 2020 and will need to be carefully managed. Efforts should continue to focus on enhancing spending procedures and efficiency, on strengthening the oversight of public agencies and state-owned enterprises, and on reducing parafiscal taxes:

- *Spending procedures*: The authorities will close all cash funds at end-December to allow for proper accounting (structural benchmark, end-December 2018) and issue for the first time a budget execution circular (structural benchmark, end-December 2018). An overhaul of regulations for medical evacuations of public servants is envisaged (structural benchmark, end-March 2019). The authorities have launched the decentralization of spending processes which should improve budget execution and will establish an IT platform for line ministries to make this work (proposed structural benchmark, end-December 2018) (MEFP ¶21).

- *Financial oversight beyond the central government*: First reforms are envisaged for early 2019 with the revision of legislation governing public agencies (structural benchmark, end-March 2019) and a re-organization of the Ministry of Finance which will strengthen financial oversight of public agencies and state-owned enterprises (MEFP, ¶22, 23).

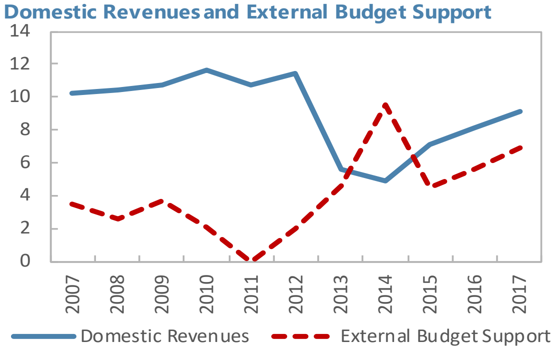
Reducing parafiscal taxes: The draft 2019 budget integrates revenues from the most important public agencies and funds equivalent to 1 percent of GDP and envisages already the elimination of taxes without economic justification. Audits of all entities receiving parafiscal revenues—43 in total—are expected to be finalized in December. Once completed, the authorities will proceed to transfer all of them to the Treasury Single Account and eliminate all parafiscal taxes without economic justification (structural benchmark, end December 2018) (MEFP, ¶19, 20).

[5] See IMF (2016) "Corruption: Costs and Mitigating Strategies".

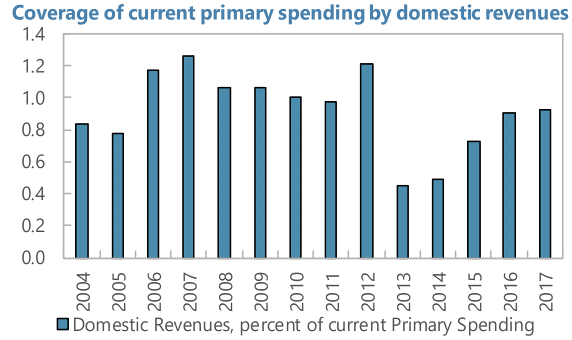
[6] Ugur and Dasgupta (2011) estimate that a one-unit improvement in the perceived corruption index can increase GDP growth per-capita by up to 0.9 percentage points. "Evidence on the Economic Growth Impacts of Corruption in Low-Income Countries and Beyond", EPPI-Centre Report No 1914, Institute of Education, University of London.

Figure 1. Central African Republic: Revenue Mobilization

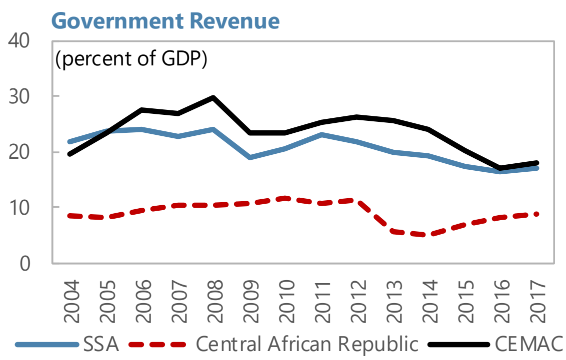
Following the 2013 crisis, domestic revenues have recovered, and external support has been significant.



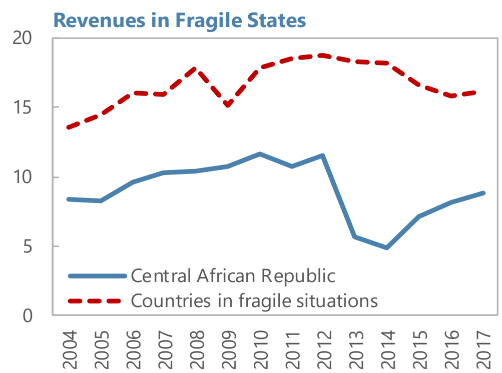
Domestic revenues are now almost sufficient to cover current primary spending.



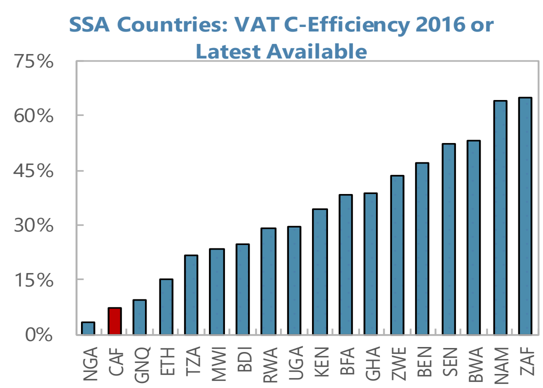
However, tax revenues remain low compared to regional averages....



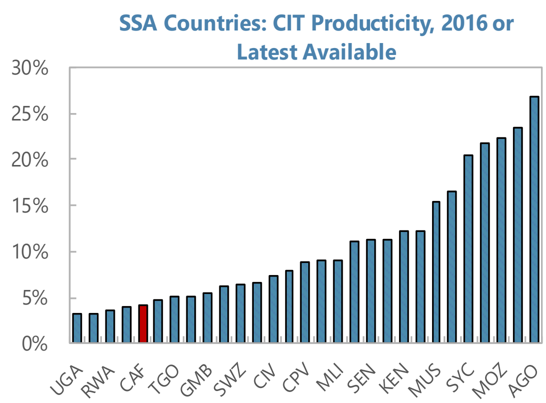
and other fragile states.



Weak tax administration is a key reason for the underperformance as indicated by the low VAT...



and low corporate income tax efficiency.



Source: IMF Staff estimates

Fighting Corruption

30. **Over time, the authorities have taken the following measures to combat corruption:**

- In 2006, the United Nations Convention Against Corruption (UNCAC) was ratified. This was subsequently followed by a review of chapter III (criminalization and application of the law) and chapter IV (international cooperation) in 2016.
- The constitution requires the President, Prime Minister and the members of Government to declare their assets to the Constitutional Court upon taking and leaving office. However, no implementing legislation has been adopted to establish the framework of the regime.
- The High Authority for Good Governance was established in 2017. The Authority has prepared a National Strategy for Good Governance with funding from UNDP.

31. **Notwithstanding these measures, corruption remains a major challenge.** Staff recommends the following additional measures to reinforce those already taken:

- Implement the recommendations of the review of the UNCAC namely to criminalize all acts of corruption and facilitate mutual legal assistance.
- Enact legislation establishing a framework for the asset declaration regime in line with best practices, namely to ensure that declaration obligations cover high-level officials and their family members, require the declaration of all assets held domestically and abroad, directly and beneficially, put in place a verification mechanism, establish dissuasive sanctions for non-compliance, and require the publication of the declaration.
- Strengthen the capacity of the High Authority for Good Governance and ensure adequate and timely funding for the institution.

Natural Resource Management

32. **C.A.R. is well endowed with natural resources which, if well managed, could promote inclusive growth by generating fiscal revenue, income, and employment.** However, the resources have sometimes been used to finance violent conflict. Also, some host communities feel that that they are not benefiting from the exploitation of the resources, which could foster grievances.

33. **The authorities have been pursuing initiatives to improve management of natural resources:**

- In 2003, C.A.R. joined the Kimberley diamond certification scheme, which aims to prevent the sale of diamonds mined in areas affected by conflict. The scheme imposed an embargo on the export of diamonds following the 2013 crisis, which was subsequently partially lifted.
- In 2010, C.A.R. joined the Extractive Industry Transparency Initiative (EITI) which requires countries to "publish timely and accurate information on key aspects of their natural resource

management." C.A.R. membership was suspended in 2013. The country has launched a process for lifting the suspension.

- All mining and forestry contracts are now published on the website of the Ministry of Finance and Budget.

34. **Stepping up these efforts could further reduce the role that natural resources play in financing violent conflict.** Staff commends the authorities for efforts already undertaken to improve natural resource management. These include publishing all forestry permits issued through June 30, 2018 and all new mining permits issued since January 1, 2018 on the website of the Ministry of Finance and Budget; and submitting all this information to the permanent secretariat for economic and financial reforms of CEMAC as part of the authorities' regional commitments. The authorities could expedite ongoing efforts to lift the suspension from the EITI, encourage greater involvement of civil society in the management of natural resources, and ensure that host communities benefit from the exploitation of natural resources (MEFP, ¶26).

Authorities' Views

35. **The authorities stressed their commitment to improve governance and fight corruption**. They highlighted that all government members have declared their assets to the constitutional court as mandated by the constitution and confirmed by the High Authority for Good Governance. They welcomed the Fund's technical assistance on public financial management and looked forward to further Fund support in the context of the re-organization of the Ministry of Finance and the need to increase the use of IT tools to better mobilize tax revenues.

D. Policy Theme #4: Supporting Reconciliation by Creating Economic Opportunities, Reducing Poverty, and Promoting Gender Equality

36. **The economy remains uncompetitive because production costs are high and the business environment is risky.** Production costs are high because the country is landlocked, infrastructure is poor, and businesses must pay for provision of security. Risks include a fragile security situation, weaknesses in the judicial system, and fiscal uncertainty as a result of a multiplicity of taxes and tax collection institutions.

37. **The authorities are determined to improve the business environment to promote private sector development.** The law on the investment charter was enacted in June 2018, and the draft law modifying the terms and conditions applicable to public-private partnerships is being finalized. The authorities plan to implement other structural and institutional reforms to modernize and update the legal framework for the main economic sectors. To this end, they plan to revise the mining code to ensure its compliance with regional standards on foreign exchange. They also intend to strengthen the Joint Consultation Framework for Business Improvement (CMCAA) to promote and strengthen dialogue between the government and the private sector.

38. **The implementation of the national development plan continues.** The National Recovery and Peacebuilding Plan provides a comprehensive strategy to build institutions and

tackle poverty around which development partners coalesce. The implementation of externally financed investment projects has picked up notably in 2018 and is now expected to reach 5.8 percent of GDP (vs. a previously projected 4.8 percent of GDP). In addition, the envisaged increase of social expenditure for key ministries and the gradual redeployment of the administration in provinces should expand access to basic social services (MEFP, ¶27).

Gender Equality (Annex III)

39. **C.A.R. has committed to gender equality in the law, but implementation remains weak.** Commitments include a national action plan in accordance with United Nations Security Council Resolution 1325, which calls for the acknowledgement of the roles of women in conflict and their protection, as well as increased participation and representation of women at all levels of decision making processes, management, and conflict resolution. C.A.R.'s national law sets a minimum quota of 35 percent of women in parliament during a transition time until 2026, and 50 percent thereafter. The National Action Plan for Peace and Reconciliation (*RCPCA*) identifies gender equality as a cross-cutting objective in all three of its priority pillars (MEFP, ¶28). The government has established a National Observatory for Gender Equality to track progress on these commitments, but remains woefully underfunded.

40. **Based on experiences of other fragile states, C.A.R. faces opportunities to leverage improved gender relations for leaving behind the conflict cycle and improving economic growth.** Abundant literature associates gender equality with decreased fragility, increased stability, and better macroeconomic outcomes. According to a decomposition analysis, the same level of gender equality as that of Rwanda could be associated with 0.8 percent higher average annual GDP in C.A.R. The analysis highlights the importance of following through on gender equality commitments. Staff recommends that the first step to this process is funding and empowering the National Observatory for Gender Equality, as well as collecting gender-disaggregated data.

Authorities' Views

41. **The authorities recognize that the improvement of the business environment and gender equality are key to ensure peace and reduce poverty.** They updated the investment charter in June 2018 and are working on a draft law to promote public-private partnerships (MEFP, ¶27). They intend to continue their dialogue with the private sector to help address legitimate concerns. The implementation of the national development plan is ongoing, with more external support expected in 2019. The authorities reiterated their commitments to gender equality and will set up a National Gender Parity Observatory to monitor the implementation of the laws, and gender-equality developments in the country (MEFP, ¶28).

PROGRAM MODALITIES AND FINANCING ASSURANCES

42. **It is proposed to keep performance criteria for end-December unchanged.** Indicative targets for end-March 2019 have been revised to reflect the updated framework which will ensure continuous monitoring of program performance. Two new structural benchmarks are proposed for end-December 2018: (i) publishing the results of monthly meetings to reconcile valuations used by customs with those provided by the pre-inspection company; and (ii) the Ministry of Finance will set up an IT platform to operationalize the deconcentration of the spending process (MEFP, ¶18,21).

43. **The program remains fully financed.** C.A.R. has obtained firm financing commitments for the remainder of the program. All expected budget support for 2018 has been disbursed. In the first half of 2019, one further disbursement from the World Bank is expected. Looking ahead, the main development partners—the World Bank, African Development Bank, European Union, and France—have indicated their intentions to continue their budget support, especially if C.A.R. requests another Fund arrangement.

44. **The BEAC and COBAC have pursued the implementation of their policy commitments and provided updated policy assurances in support of CEMAC countries' programs.** In response to the lower NFA accumulatio, the BEAC took corrective actions, increasing its policy rate and strengthening the enforcement of foreign exchange regulations. Consistent with the June 2018 policy assurances, by end-year the BEAC will also submit for adoption new foreign exchange regulations to the UMAC ministerial committee and make the new monetary policy framework fully operational. The updated policy assurances present new projections for regional NFA, with the end-2018 projection revised downward but the end-2019 projection broadly unchanged. To achieve these projections, the BEAC reiterated its commitment to implement an adequately tight monetary policy, while member states will implement adjustment policies in the context of IMF-supported programs. Starting in the first half of 2019, semi-annual consultations between the member states, the regional institutions, and IMF staff will be held to review regional strategy implementation and, if necessary, identify and adopt any additional corrective measures at the national and/or regional policy levels to allow the continuation of (or approval of new) IMF financial support as part of the IMF-supported programs with CEMAC members. These policy assurances are critical for the success of C.A.R.'s program as they will help bolster the region's external sustainability, and hence C.A.R.'s.

45. **The BEAC continues to implement the remaining recommendations of the 2017 safeguards assessment.** BEAC's full transition to IFRS is progressing broadly as planned, and steps are being taken to accelerate the adoption of revisions to the secondary legal instruments to align these with the BEAC Charter, in consultation with IMF staff.

46. **C.A.R. has adequate capacity to repay the Fund.** Significant Fund repayments are due in the coming years (Table 8) and the authorities are making regular deposits at the BEAC to ensure timely repayment.

47. **Most official creditors to which there are outstanding arrears have consented to Fund financing.** C.A.R. has accumulated arrears that pre-date the completion point of the HIPC initiative with some Non-Paris Club members (Argentina, Equatorial Guinea, Iraq, Libya, Taiwan, Province of China). Among these creditors, Libya requested more time to convey its decision regarding consent to Fund financing. C.A.R. remains in arrears to a private creditor and is continuing good-faith efforts to reach a collaborative agreement. As prompt financial support is considered essential for the successful implementation of C.A.R.'s program, and C.A.R. is pursuing appropriate policies, the Fund may provide financing to C.A.R. notwithstanding its external arrears to private creditors.

48. **The authorities signaled interest in a successor arrangement.** In their view, the ECF arrangement has provided welcome support to address the protracted balance of payment need, anchor macroeconomic policies, and set the reform agenda. Staff encouraged continued diligent program implementation to bolster the case for a successor arrangement. Discussions about a new arrangement could be initiated in the context of the Sixth and final review under the current ECF arrangement.

TECHNICAL ASSISTANCE AND THE CAPACITY BUILDING FRAMEWORK

49. **The Fund provides significant support to capacity building**. From January 2017, under the IMF's Capacity Building Framework (CBF) pilot project (Annex I), C.A.R. benefited from substantial IMF and AFRITAC Central TA. Expected medium-term outcomes are to increase revenue, enhance spending efficiency, restore budget discipline and transparency, strengthen debt management, and create a core macro-fiscal capacity. The priorities for capacity building are closely aligned with key reform objectives under the program. The authorities concur with most recommendations. Specific achievements since January 2018 include a new agreement with private banks regarding revenue collection that prohibits automatic compensation and requires the timely transfer of funds as well as the integration of parafiscal taxes into the budget. TA is also delivered on public finance statistics and national accounts. The number of TA missions, combined with weak absorptive capacity, have highlighted the need to improve monitoring and coordination. To this end, the authorities strengthened the Economic and Financial Reform Monitoring Unit (CS-REF) to better coordinate technical assistance and training (MEFP, ¶30, 31).

OTHER SURVEILLANCE ISSUES

50. **Despite serious shortcomings, data provision remains broadly adequate for surveillance and with limited impact on reliability and quality of the policy recommendations**. The production of national accounts, balance of payments, and public

finance statistics suffers from poor source data, compilation issues, omissions, delays, inconsistencies, and a lack of cooperation across government agencies. That said, there has been progress to improve data availability: national accounts for 2013 to 2017 have been finalized and are about to be published; the improvement and dissemination of external sector statistics is ongoing and balance of payment data has recently been validated for 2013 to 2015; on fiscal data, the focus has been so far on strengthening the collection and reporting of central government operations and the process of expanding coverage beyond central government is only beginning. Staff stressed that improving the quality, scope, and timeliness of economic data is crucial to facilitate policymaking and that their production must be properly resourced. The authorities agreed and pointed to weak capacity and the need for continued external support to improve data provision.

STAFF APPRAISAL

51. **C.A.R. is caught in a cycle of violence and conflict.** Social cohesion and trust have eroded, GDP has declined, and poverty has soared in a process long predating the 2013 crisis. A rapid turnaround to emerge from this extreme state of fragility cannot be expected. Nevertheless, legitimate institutions are rebuilding, considerable international support is supporting an enabling environment for reforms, and macroeconomic stability has been restored. This provides an important opportunity to build resilience and advance towards exiting fragility, for which the authorities deserve full support.

52. **Stronger and more inclusive economic growth is necessary to create jobs and reduce poverty**. The economic recovery from the crisis continues at a steady pace, but reaching the pre-crisis level of economic activity will take well into the 2020s under current projections. This is insufficient to significantly reduce poverty and create the necessary jobs and opportunities to create disincentives to join armed groups. Moreover, risks to the outlook are on the downside as an escalation of violence could rapidly reverse any progress since 2013. Achieving a higher growth trajectory will depend on the consolidation of peace and security, the extension of state institutions in provinces, and a swift implementation of the development agenda. To support the shift into a higher gear, staff recommends targeted reforms in a number of priority areas while being mindful of capacity constraints.

53. **Domestic revenue mobilization is essential to sustainably finance public service provision.** There is significant untapped revenue potential, mostly due to weak customs and tax administration as well as fraud. Immediate steps could be taken to mobilize more revenues such as a more comprehensive use of IT systems, reinforcing controls, and sanctioning non-compliance. Strong political leadership is necessary to break with deeply entrenched malpractices.

54. **The government could send a strong signal of its intention to break with the past by launching a transparency campaign.** Important progress has been made in the last few years. The authorities increased fiscal transparency, published mining and forestry permits, and have relaunched the EITI membership process. However, more could be done. The asset

declaration regime should be strengthened by adopting implementing legislation that specifies the scope of assets to be declared, extends declaration requirements to family members, facilitates public access to declaration, and specifies sanctions in case of non-compliance. In a similar vein, rectifying shortcomings in the implementation of the United Nations Conventions Against Corruption should be a priority.

55. **The business climate suffers from a variety of constraints.** The external position is weaker than implied by medium-term fundamentals and desirable policies. Insecurity, lack of basic infrastructure, limited access to credit, high transportation cost, unfair competition, and a lack of qualified personnel undermine C.A.R.'s attractiveness as an investment destination. However, the weak and unpredictable judicial system is a key concern for the private sector. The government should make every effort to reinforce its dialogue with the private sector and take actions to strengthen the judicial system.

56. **Translating commitments to gender equality into practice could boost resilience and growth.** Achieving outcomes in terms of gender equality similar to other countries in the region could boost growth considerably. Furthermore, there is ample evidence that promoting gender equality strengthens the resilience and reduces conflict frequency and intensity. First steps should include collecting more disaggregated data by gender, notably through the National Observatory, as well as stepping up communication and awareness efforts.

57. **Despite a very challenging environment, program implementation has been satisfactory**. All performance criteria for end-June were met and structural reforms progress, albeit with some delay. Staff considers the 2019 budget consistent with macroeconomic stability and welcomes the integration of parafiscal taxes—an important step to enhance fiscal transparency. The envisaged increase of social spending is laudable. Nevertheless, the revenue target could prove optimistic in light of the uncertain yield of administrative measures. Against this backdrop, staff welcomes the authorities' intent to reassess revenue projections during the first half of 2019 and, if necessary, safeguard macroeconomic stability by adjusting non-priority spending.

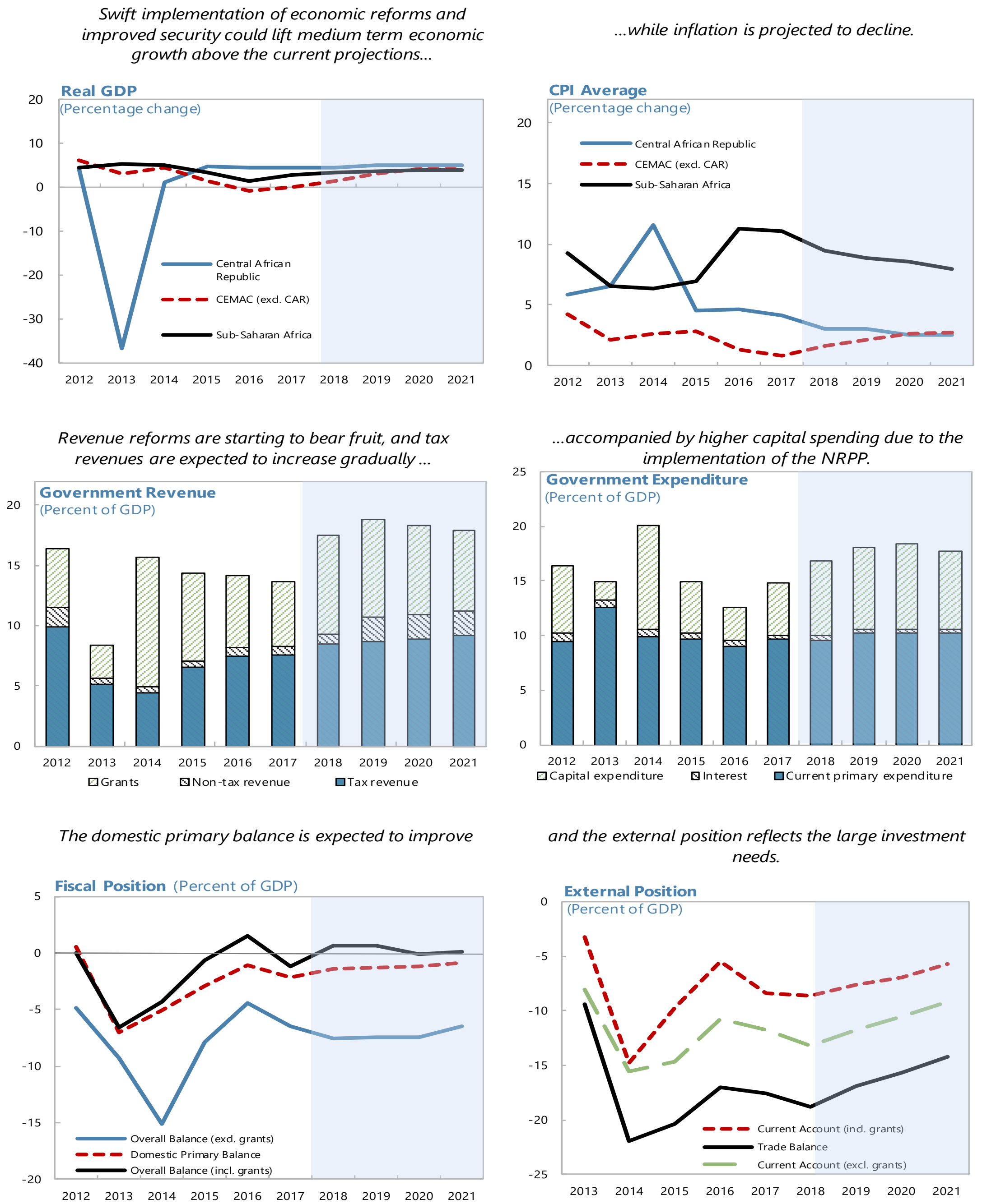
58. **The authorities' action to limit the fiscal impact of higher oil prices is welcome.** The simplification of the oil price structure by eliminating or reducing fees for intermediaries will generate important fiscal savings. In the event oil prices continue to increase, the authorities should consider adjusting retail prices. It will be important to carefully assess the social impact and the risks of increased retail prices, given that fuel prices are already high compared to neighboring countries. In addition, careful communication of the rationale of such policy action could help to build public support.

59. **Risks to the program remain elevated.** Tensions between conflict parties remain high and could escalate, which could undermine growth, revenues, and the authorities' ability to implement the program. Staff will continue to assess the impact of the political and security environment on program performance. Delays in the implementation of the CEMAC-wide regional adjustment strategy could also have a negative impact.

60. **Based on C.A.R.'s performance under the program, and good progress towards the end-December regional policy assurances and corrective actions taken in response to the NFA underperformance, staff recommends the completion of the Fifth Review.** The economic program set out in the attached Letter of Intent and Memorandum of Economic and Financial Policies remains appropriate to achieve the program objectives in a challenging environment marked by insecurity and limited administrative capacity. Staff proposes that completion of the sixth review be conditional on the implementation of critical policy assurances at the union level, as established in the December 2018 union-wide background paper. Staff also recommends completion of the financing assurances review.

61. **It is proposed that the next Article IV consultation take place in accordance with the Decision on Article IV Consultation Cycles, Decision No. 14747–10/96.**

Figure 2. Central African Republic: Macroeconomic Performance and Prospects, 2012–21



Sources: C.A.R. authorities and IMF staff estimates and projections.

Table 1. Central African Republic: Selected Economic and Financial Indicators, 2016–23

	2016	2017	2018		2019	2020	2021	2022	2023
	Est.	Est.	4th. Rev.	Proj.			Proj.		
	(Annual percentage change; unless otherwise indicated)								
National income and prices									
GDP at constant prices	4.5	4.3	4.3	4.3	5.0	5.0	5.0	5.0	5.0
GDP per capita at constant prices	2.6	2.4	2.4	2.4	3.1	3.0	3.0	3.1	3.1
GDP at current prices	11.2	8.1	8.4	7.4	8.2	7.6	7.6	7.6	7.6
GDP deflator	6.3	3.6	3.9	3.0	3.0	2.5	2.5	2.5	2.5
CPI (annual average)	4.6	4.1	4.0	3.0	3.0	2.5	2.5	2.5	2.5
CPI (end-of-period)	4.7	4.2	3.6	2.5	2.3	2.7	2.4	2.6	2.4
Money and credit									
Broad money	5.8	10.3	8.5	2.3	11.6	7.6	7.6	7.6	7.6
Credit to the economy	17.5	-0.1	5.9	5.5	3.3	7.7	7.3	8.7	11.0
External sector									
Export volume of goods	52.3	42.5	9.3	10.0	10.4	8.1	8.6	8.6	5.5
Import volume of goods	13.4	-2.5	6.7	5.2	6.2	5.4	5.7	5.3	5.7
Terms of trade	-0.4	-19.0	-11.4	-13.4	0.2	1.2	2.7	0.6	0.4
	(Percent of GDP; unless otherwise indicated)								
Gross national savings	8.2	5.5	6.9	7.3	9.0	9.9	10.6	11.3	12.0
Of which: current official transfers	3.7	1.9	3.3	3.1	2.8	2.0	1.8	1.6	1.4
Gross domestic savings	-3.3	-3.7	-3.0	-2.9	-0.3	1.2	2.0	3.0	4.0
Government	-1.0	-1.5	-0.1	-0.5	0.3	0.5	0.8	1.1	1.4
Private sector	-2.3	-2.2	-2.9	-2.4	-0.6	0.7	1.2	1.8	2.5
Consumption	103.3	103.7	103.0	102.9	100.3	98.8	98.0	97.0	96.0
Government	7.3	7.5	7.0	7.3	7.5	7.7	7.7	7.7	7.7
Private sector	96.0	96.2	96.0	95.5	92.8	91.1	90.3	89.3	88.3
Gross investment	13.7	13.8	15.3	15.9	16.6	16.8	16.2	16.2	16.6
Government	3.1	4.8	6.3	6.9	7.5	7.8	7.2	7.2	7.1
Private sector	10.6	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.5
External current account balance									
with grants	-5.5	-8.3	-8.4	-8.6	-7.6	-7.0	-5.7	-4.9	-4.7
without grants	-10.7	-11.7	-13.2	-13.3	-11.7	-10.6	-9.2	-8.4	-8.0
Overall balance of payments	0.9	3.1	-1.6	-1.8	-0.2	1.4	1.6	1.9	2.1
Central government finance									
Total revenue (including grants)	14.1	13.7	16.6	17.5	18.8	18.3	17.9	18.0	18.1
of which: domestic revenue	8.2	8.3	9.2	9.3	10.7	10.9	11.2	11.5	11.8
Total expenditure [1]	12.6	14.8	15.8	16.8	18.1	18.4	17.7	17.7	17.7
of which: capital spending	3.1	4.8	6.3	6.9	7.5	7.8	7.2	7.2	7.1
Overall balance									
Excluding grants	-4.4	-6.5	-6.6	-7.6	-7.4	-7.4	-6.5	-6.2	-5.9
Including grants	1.6	-1.1	0.9	0.7	0.7	-0.1	0.1	0.3	0.4
Domestic primary balance [2]	-1.1	-2.2	-1.4	-1.4	-1.2	-1.2	-0.9	-0.6	-0.3
Public sector debt	56.0	52.8	47.0	48.5	42.2	39.2	36.4	33.8	31.5
Of which: domestic debt [3]	26.3	25.1	21.2	22.5	18.0	16.6	15.3	14.0	12.9
Of which: external debt	29.6	27.8	25.8	26.0	24.2	22.6	21.1	19.7	18.6
PPP per capita (PPP dollars)	651.8	676.9	705.9	705.9	735.8	765.0	795.0	824.8	855.9
Nominal GDP (CFAF billions)	1,041	1,126	1,218	1,209	1,308	1,408	1,515	1,630	1,754

Sources: C.A.R. authorities and IMF staff estimates and projections.

[1] Expenditure is on a cash basis.

[2] Excludes grants, interest payments, and externally-financed capital expenditure.

[3] Comprises government debt to BEAC, commercial banks and government arrears.

Table 2a. Central African Republic: Central Government Financial Operations, 2016–23
(CFAF billions)

(CFAF billions)	2016	2017	2018		2019	2020	2021	2022	2023
		Est.	4th Rev.	Proj.			Proj		
Revenue	147.1	154.0	202.7	212.1	245.8	257.5	270.5	293.1	317.4
Domestic revenue	84.9	93.5	112.0	112.1	139.9	153.8	170.3	188.1	207.2
Tax revenue	78.0	84.6	102.3	102.2	113.0	124.8	139.1	154.6	171.1
Taxes on profits and property	19.2	14.5	25.3	21.6	27.7	23.2	25.8	28.6	31.5
Taxes on goods and services	39.3	40.7	51.0	51.6	57.1	58.1	64.8	72.0	79.8
Of which: VAT	22.8	29.4	30.2	33.1	35.9	41.8	46.6	51.8	57.4
Taxes on international trade	19.5	29.4	25.9	29.0	28.2	43.5	48.5	54.0	59.8
Non-tax revenue	6.9	8.9	9.7	9.9	26.9	29.0	31.2	33.5	36.1
Grants	62.2	60.6	90.6	100.0	105.9	103.7	100.2	105.0	110.2
Program	38.4	21.2	39.7	37.5	37.2	27.8	27.0	26.0	25.0
Project	23.8	39.4	50.9	62.5	68.7	75.9	73.2	79.0	85.2
Expenditure [1]	130.9	166.8	192.0	203.7	236.7	258.6	268.7	288.7	310.3
Primary Spending	96.2	118.1	129.4	129.4	156.2	170.8	183.6	197.8	213.0
Current primary expenditure	93.3	109.2	111.6	116.1	133.8	144.8	155.8	167.6	180.4
Wages and salaries	55.9	57.0	60.6	60.6	63.5	70.4	75.7	81.5	87.7
Transfers and subsidies	17.6	24.5	26.6	27.5	35.2	36.6	39.4	42.4	45.6
Goods and services	19.8	27.7	24.4	28.0	35.1	37.8	40.6	43.7	47.1
Interest	5.8	3.8	4.1	4.2	4.3	4.4	4.4	4.4	4.6
External	3.6	2.1	2.2	2.3	2.4	2.6	2.6	2.6	2.9
Domestic	2.2	1.7	1.9	1.9	1.9	1.8	1.8	1.8	1.8
Capital expenditure	31.8	53.8	76.2	83.3	98.7	109.4	108.6	116.7	125.3
Domestically financed	2.9	9.0	17.8	13.3	22.5	26.0	27.8	30.2	32.5
Externally financed	28.9	44.9	58.4	70.0	76.2	83.4	80.7	86.5	92.7
Overall balance									
Excluding grants	-46.0	-73.3	-79.9	-91.6	-96.8	-104.8	-98.4	-100.6	-103.1
Of which: domestic primary balance [2]	-11.3	-24.7	-17.3	-17.3	-16.3	-17.0	-13.3	-9.7	-5.8
Including grants	16.2	-12.8	10.7	8.5	9.1	-1.1	1.8	4.4	7.1
Net change in arrears ((-) = reduction)	-3.5	-11.5	-48.9	-32.7	-44.0	0.0	0.0	0.0	0.0
Domestic	-6.0	-9.0	-47.9	-31.7	-44.0	0.0	0.0	0.0	0.0
of which: Social arrears		-2.4	-38.7	-18.3	-44.0				
External	2.5	-2.5	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	1.3	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	14.0	-19.4	-38.2	-24.2	-34.9	-1.1	1.8	4.4	7.1
Identified financing	-14.1	19.5	38.2	24.2	34.9	1.1	-1.8	-4.4	-7.1
External, net	-0.4	12.6	1.8	1.8	1.8	1.8	1.9	1.8	4.2
Project loans	5.1	5.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Program loans	0.0	8.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-8.7	-1.8	-5.7	-5.7	-5.7	-5.7	-5.6	-5.7	-3.3
Exceptional financing	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic, net	-13.7	7.0	36.4	22.4	33.1	-0.7	-3.7	-6.2	-11.3
Banking system	-13.7	0.6	36.4	22.4	33.1	-5.7	-8.7	-16.2	-26.3
BEAC	-7.2	8.2	39.2	25.2	35.9	-2.8	-5.7	-13.0	-23.0
of which: Counterpart to IMF resources (BEAC)	9.0	21.6	28.8	27.1	10.4	-4.4	-4.8	-8.9	-14.3
Amortization of advances and consolidated	...	0.0	0.0	0.0	0.0	0.0	0.0	-7.3	-7.5
Commercial banks	-6.4	-7.6	-2.8	-2.8	-2.8	-2.9	-3.0	-3.2	-3.3
Nonbank	0.0	0.0	0.0	0.0	0.0	5.0	5.0	10.0	15.0
Exceptional financing [4]	0.0	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
Memorandum items:									
Total government debt	582.8	594.7	572.1	586.6	552.0	551.6	550.8	550.6	552.2
Government domestic currency debt[3]	274.1	282.3	257.9	272.4	236.0	233.8	231.0	228.9	226.4
Nominal GDP	1041	1126	1218	1209	1308	1408	1515	1630	1754

Sources: C.A.R. authorities and IMF staff estimates and projections.

[1] Expenditure is on a cash basis

[2] Excludes grants, interest payments, and externally-financed capital expenditure.

[3] Including arrears and on-lending of IMF resources.

[4] Due to new loan agreements with commercial banks.

Table 2b. Central African Republic: Central Government Financial Operations, 2016–23

(In percent of GDP)

	2016	2017	2018		2019	2020	2021	2022	2023
		Est.	4th Rev.	Proj.			Proj.		
				(In percent of GDP)					
Revenues	14.1	13.7	16.6	17.5	18.8	18.3	17.9	18.0	18.1
Domestic revenue	8.2	8.3	9.2	9.3	10.7	10.9	11.2	11.5	11.8
Tax revenue	7.5	7.5	8.4	8.5	8.6	8.9	9.2	9.5	9.8
Taxes on profits and property	1.8	1.3	2.1	1.8	2.1	1.7	1.7	1.8	1.8
Taxes on goods and services	3.8	3.6	4.2	4.3	4.4	4.1	4.3	4.4	4.5
Of which: VAT	2.2	2.6	2.5	2.7	2.7	3.0	3.1		
Taxes on international trade	1.9	2.6	2.1	2.4	2.2	3.1	3.2	3.3	3.4
Non-tax revenue	0.7	0.8	0.8	0.8	2.1	2.1	2.1	2.1	2.1
Grants	6.0	5.4	7.4	8.3	8.1	7.4	6.6	6.4	6.3
Program	3.7	1.9	3.3	3.1	2.8	2.0	1.8	1.6	1.4
Project	2.3	3.5	4.2	5.2	5.3	5.4	4.8	4.8	4.9
Expenditure [1]	12.6	14.8	15.8	16.8	18.1	18.4	17.7	17.7	17.7
Primary Spending	9.2	10.5	10.6	10.7	11.9	12.1	12.1	12.1	12.1
Current primary expenditure	9.0	9.7	9.2	9.6	10.2	10.3	10.3	10.3	10.3
Wages and salaries	5.4	5.1	5.0	5.0	4.9	5.0	5.0	5.0	5.0
Transfers and subsidies	1.7	2.2	2.2	2.3	2.7	2.6	2.6	2.6	2.6
Goods and services	1.9	2.5	2.0	2.3	2.7	2.7	2.7	2.7	2.7
Interest	0.6	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
External	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Domestic	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Capital expenditure	3.1	4.8	6.3	6.9	7.5	7.8	7.2	7.2	7.1
Domestically financed	0.3	0.8	1.5	1.1	1.7	1.8	1.8	1.9	1.9
Externally financed	2.8	4.0	4.8	5.8	5.8	5.9	5.3	5.3	5.3
Overall balance									
Excluding grants	-4.4	-6.5	-6.6	-7.6	-7.4	-7.4	-6.5	-6.2	-5.9
Of which: domestic primary balance [2]	-1.1	-2.2	-1.4	-1.4	-1.2	-1.2	-0.9	-0.6	-0.3
Including grants	1.6	-1.1	0.9	0.7	0.7	-0.1	0.1	0.3	0.4
Net change in arrears ((-) = reduction)	-0.3	-1.0	-4.0	-2.7	-3.4	0.0	0.0	0.0	0.0
Domestic	-0.6	-0.8	-3.9	-2.6	-3.4	0.0	0.0	0.0	0.0
of which: Social arrears			-3.2	-1.5	-3.4	0.0			
External	0.2	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	1.3	-1.7	-3.1	-2.0	-2.7	-0.1	0.1	0.3	0.4
Identified financing	-1.3	1.7	3.1	2.0	2.7	0.1	-0.1	-0.3	-0.4
External, net	0.0	1.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2
Project loans	0.5	0.5	0.6	0.6	0.6	0.5	0.5	0.5	0.4
Program loans	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-0.8	-0.2	-0.5	-0.5	-0.4	-0.4	-0.4	-0.3	-0.2
Exceptional financing	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic, net	-1.3	0.6	3.0	1.9	2.5	0.0	-0.2	-0.4	-0.6
Banking system	-1.3	0.0	3.0	1.9	2.5	-0.4	-0.6	-1.0	-1.5
BEAC	-0.7	0.7	3.2	2.1	2.7	-0.2	-0.4	-0.8	-1.3
of which: Counterpart to IMF resources (BEAC)	0.9	1.9	2.4	2.2	0.8	-0.3	-0.3	-0.5	-0.8
Commercial banks	-0.6	-0.7	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Nonbank	0.0	0.0	0.0	0.0	0.0	0.4	0.3	0.6	0.9
Exceptional financing [4]	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Total government debt	56.0	52.8	47.0	48.5	42.2	39.2	36.4	33.8	31.5
Government domestic debt [3]	26.3	25.1	21.2	22.5	18.0	16.6	15.3	14.0	12.9

Sources: C.A.R. authorities and IMF staff estimates and projections.

[1] Expenditure is on a cash basis.

[2] Excludes grants, interest payments, and externally-financed capital expenditure.

[3] Including arrears and on-lending of IMF-resources.

[4] Due to new loan agreements with commercial banks.

Table 3. Central African Republic: Monetary Survey, 2016–23

(CFAF billions, end of period)

	2016	2017	2018				2019			2020	2021	2022	2023
			Q2	Q3	Q4	Q4	Q1	Q2	Q4				
		Est.	Proj.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
					(CFAF billions; end of period)								
Net foreign assets	54.7	103.7	96.7	85.2	84.3	82.4	83.3	70.7	80.0	99.8	124.2	154.8	192.0
Bank of Central African States (BEAC)	38.7	74.0	55.1	50.2	54.7	52.8	53.6	41.1	50.4	70.2	94.6	125.1	162.3
Commercial banks	16.0	29.6	41.6	35.0	29.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6
Net domestic assets	218.0	194.9	217.9	231.3	242.2	225.2	232.2	253.7	263.4	269.8	273.5	273.2	268.7
Domestic credit	317.2	317.6	336.4	353.8	364.9	347.9	354.9	376.4	386.1	392.5	396.2	395.9	391.4
Credit to the public sector	172.5	173.0	189.4	190.5	209.4	195.4	201.1	221.3	228.5	222.8	214.1	197.9	171.6
Credit to central government (net)	172.5	173.0	189.4	190.5	209.4	195.4	201.1	221.3	228.5	222.8	214.1	197.9	171.6
BEAC	153.9	162.1	179.0	180.8	201.3	187.3	193.7	214.6	223.2	220.4	214.7	201.7	178.7
Loans/counterpart SDR	114.4	112.6	112.6	112.6	112.6	112.6	112.6	112.6	112.6	112.6	112.6	105.3	97.8
IMF (net)	70.3	87.2	84.2	98.5	116.0	114.3	114.3	128.9	124.7	120.4	115.6	106.8	92.5
Deposits	-30.7	-37.7	-17.8	-30.3	-27.3	-39.6	-33.3	-26.9	-14.2	-12.6	-13.5	-10.3	-11.6
Commercial banks	18.5	10.9	10.4	9.7	8.1	8.1	7.4	6.7	5.3	2.4	-0.6	-3.8	-7.1
Credit to other public agencies (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	144.7	144.5	147.1	163.3	155.5	152.5	153.8	155.1	157.6	169.7	182.1	198.0	219.8
Public enterprises	3.4	1.2	4.6	4.6	3.4	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Private sector	141.4	143.4	142.5	158.7	152.1	151.4	152.6	153.9	156.4	168.5	180.9	196.8	218.6
Other items (net)	-99.2	-122.7	-118.6	-122.5	-122.7	-122.7	-122.7	-122.7	-122.7	-122.7	-122.7	-122.7	-122.7
Money and quasi-money	272.6	300.7	314.8	316.5	326.5	307.7	314.4	321.1	343.4	369.6	397.7	428.0	460.6
Currency	143.7	162.1	168.3	169.9	175.8	168.3	174.0	179.7	191.2	205.7	221.4	238.2	256.4
Deposits	128.9	138.6	146.4	146.6	150.7	139.3	140.3	141.3	152.3	163.9	176.3	189.8	204.2
Demand deposits	68.9	79.9	90.2	89.6	86.6	77.2	76.6	75.9	83.5	89.9	96.7	104.1	112.0
Term and savings deposits	60.0	58.7	56.2	57.0	64.1	62.1	63.8	65.4	68.7	74.0	79.6	85.7	92.2
					(Annual percentage change)								
Net foreign assets	29.5	89.6			-18.7	-20.5			-2.9	24.7	24.4	24.6	24.0
Net domestic assets	1.1	-10.6			22.9	15.6			16.9	2.4	1.4	-0.1	-1.7
Monetary base	0.2	25.0			8.4	7.4			8.2	7.6	7.6	7.6	7.6
Credit to the economy	17.5	-0.1			5.9	5.5			3.3	7.7	7.3	8.7	11.0
Public enterprises	4.2	-65.3			0.0	0.0			0.0	0.0	0.0	0.0	0.0
Private sector	17.9	1.4			6.1	5.6			3.3	7.7	7.3	8.8	11.1
Memorandum items:													
NDA of the central bank (CFAF billions)	123.3	128.5			164.9	164.8			184.9	183.1	178.0	168.1	153.3
Monetary base (CFAF billions)	162.0	202.5			219.6	217.6			235.3	253.3	272.5	293.3	315.6
Nominal GDP (CFAF billions)	1041	1126			1218	1209			1308	1408	1515	1630	1754
Velocity (GDP/broad money)													
End of period	3.8	3.7			3.7	3.9			3.8	3.8	3.8	3.8	3.8

Sources: C.A.R. authorities and IMF staff estimates and projections.

Table 4a. Central African Republic: Balance of Payments, 2016–23

(Billions of CFA francs)

	2016	2017	2018		2019	2020	2021	2022	2023
	Est.	Est.	4th Rev.	Proj.			Proj.		
				(Billions of CFA francs)					
Current account	-57.5	-93.9	-102.1	-104.3	-98.9	-97.9	-85.7	-80.2	-82.2
Balance on goods	-172.2	-169.7	-199.5	-206.5	-216.1	-220.5	-221.3	-227.4	-240.2
Exports, f.o.b.	68.1	85.6	86.3	89.9	99.7	107.3	116.7	127.0	134.7
of which: Diamonds	1.3	5.3	7.2	7.2	9.2	10.7	12.6	15.0	16.5
of which: Wood products	39.9	53.5	52.9	56.0	60.8	64.6	69.6	74.9	78.1
Imports, f.o.b.	-240.3	-255.3	-285.8	-296.4	-315.7	-327.8	-338.0	-354.4	-374.9
of which: Petroleum products	-58.4	-68.6	-82.2	-91.8	-97.7	-96.8	-93.3	-96.2	-102.4
Services (net)	-4.8	-28.0	-23.6	-20.8	-5.0	0.4	5.9	11.8	18.0
Credit	126.9	106.0	92.4	116.2	121.9	128.0	134.3	141.1	148.2
Debit	-131.7	-134.0	-116.0	-136.9	-126.9	-127.6	-128.4	-129.3	-130.2
Income (net)	-3.4	-2.0	0.1	-1.6	-2.2	-2.4	-2.8	-2.8	-2.7
Credit	12.1	12.1	13.7	12.6	13.3	13.9	14.6	15.3	16.1
Debit	-15.5	-14.1	-13.6	-14.2	-15.5	-16.3	-17.4	-18.1	-18.9
Transfers (net)	122.9	105.8	120.9	124.6	124.4	124.7	132.3	138.1	142.8
Private	68.5	67.5	62.4	68.6	69.6	73.9	78.5	81.5	84.6
Official	54.4	38.3	58.6	56.0	54.8	50.8	53.9	56.7	58.2
of which: Program	38.4	21.2	39.7	37.5	37.2	27.8	27.0	26	25
Capital account	23.8	39.4	50.9	62.5	68.7	75.9	73.2	79.0	85.2
Project grants	23.8	39.4	50.9	62.5	68.7	75.9	73.2	79.0	85.2
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	59.0	32.6	31.8	20.5	27.8	41.8	36.9	31.8	34.2
Direct investment	4.3	4.0	10.0	10.0	15.0	20.0	20.0	20.0	20.0
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	54.7	28.6	21.8	10.5	12.8	21.8	16.9	11.8	14.2
Public sector (net)	-3.6	12.6	1.8	1.8	1.8	1.8	1.9	1.8	4.2
Project disbursement	5.1	5.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Program disbursement	0.0	8.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Scheduled amortization	-8.7	-1.8	-5.7	-5.7	-5.7	-5.7	-5.6	-5.7	-3.3
Monetary authorities (SDR allocation)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other short-term flows	58.3	16.0	20.0	8.7	11.0	20.0	15.0	10.0	10.0
Errors and omissions	-16.1	57.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	9.2	35.4	-19.3	-21.3	-2.4	19.8	24.4	30.6	37.2
Identified financing	-9.2	-35.4	19.4	21.2	2.4	-19.8	-24.4	-30.6	-37.2
Net IMF credit	9.0	21.6	28.8	27.1	10.4	-4.4	-4.8	-8.9	-14.3
IMF purchase	-20.4	-31.0	-37.2	-35.0	-17.3	0.0	0.0	0.0	0.0
IMF repurchase	11.3	9.4	8.4	7.9	6.9	4.4	4.8	8.9	14.3
Other reserves (increase = -)	-20.7	-54.4	-8.4	-4.9	-8.0	-15.4	-19.6	-21.7	-22.9
Exceptional financing	2.5	-2.5	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0
Debt rescheduling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional financing	2.5	-2.5	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0
Debt payment arrears (reduction=-)	2.5	-2.5	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
Memorandum items:									
Terms of trade	-0.4	-19.0	-11.4	-13.4	0.2	1.2	2.7	0.6	0.4
Unit price of exports	-11.6	-11.7	-5.6	-4.5	0.5	-0.3	0.1	0.2	0.4
Unit price of imports	-11.2	9.0	6.5	10.3	0.3	-1.5	-2.5	-0.4	0.1
Current account (percent of GDP)	-5.5	-8.3	-8.4	-8.6	-7.6	-7.0	-5.7	-4.9	-4.7
Capital account (percent of GDP)	2.3	3.5	4.2	5.2	5.3	5.4	4.8	4.8	4.9
Nominal GDP (CFAF billions)	1041	1126	1218	1209	1308	1408	1515	1630	1754

Sources: C.A.R. authorities and IMF staff estimates and projections.

Table 4b. Central African Republic: Balance of Payments, 2016–23
(In percent of GDP)

	2016	2017	2018		2019	2020	2021	2022	2023
	Est.	Est.	4th Rev.	Proj.			Proj.		
				(In percent of GDP)					
Current account	-5.5	-8.3	-8.4	-8.6	-7.4	-7.0	-5.7	-4.9	-4.7
Balance on goods	-16.5	-15.1	-16.4	-17.1	-16.5	-15.7	-14.6	-13.9	-13.7
Exports, f.o.b.	6.5	7.6	7.1	7.4	7.6	7.6	7.7	7.8	7.7
of which: Diamonds	0.1	0.5	0.6	0.6	0.7	0.8	0.8	0.9	0.9
of which: Wood products	3.8	4.8	4.3	4.6	4.6	4.6	4.6	4.6	4.4
Imports, f.o.b.	-23.1	-22.7	-23.5	-24.5	-24.1	-23.3	-22.3	-21.7	-21.4
of which: Petroleum products	-5.6	-6.1	-6.7	-7.6	-7.5	-6.9	-6.2	-5.9	-5.8
Services (net)	-0.5	-2.5	-1.9	-1.7	-0.4	0.0	0.4	0.7	1.0
Credit	12.2	9.4	7.6	9.6	9.3	9.1	8.9	8.7	8.4
Debit	-12.6	-11.9	-9.5	-11.3	-9.7	-9.1	-8.5	-7.9	-7.4
Income (net)	-0.3	-0.2	0.0	-0.1	0.0	-0.2	-0.2	-0.2	-0.2
Credit	1.2	1.1	1.1	1.0	1.0	1.0	1.0	0.9	0.9
Debit	-1.5	-1.3	-1.1	-1.2	-1.2	-1.2	-1.1	-1.1	-1.1
Transfers (net)	11.8	9.4	9.9	10.3	9.5	8.9	8.7	8.5	8.1
Private	6.6	6.0	5.1	5.7	5.3	5.2	5.2	5.0	4.8
Official	5.2	3.4	4.8	4.6	4.2	3.6	3.6	3.5	3.3
of which: Program	3.7	1.9	3.3	3.1	2.8	2.0	1.8	1.6	1.4
Capital account	2.3	3.5	4.2	5.2	5.3	5.4	4.8	4.8	4.9
Project grants	2.3	3.5	4.2	5.2	5.3	5.4	4.8	4.8	4.9
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	5.7	2.9	2.6	1.7	2.1	3.0	2.4	2.0	2.0
Direct investment	0.4	0.4	0.8	0.8	1.1	1.4	1.3	1.2	1.1
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	5.3	2.5	1.8	0.9	1.0	1.5	1.1	0.7	0.8
Public sector (net)	-0.3	1.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2
Project disbursement	0.5	0.5	0.6	0.6	0.6	0.5	0.5	0.5	0.4
Program disbursement	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Scheduled amortization	-0.8	-0.2	-0.5	-0.5	-0.4	-0.4	-0.4	-0.3	-0.2
Monetary authorities (SDR allocation)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other short-term flows	5.6	1.4	1.6	0.7	0.8	1.4	1.0	0.6	0.6
Errors and omissions	-1.5	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.9	3.1	-1.6	-1.8	-0.2	1.4	1.6	1.9	2.1
Identified financing	-0.9	-3.1	1.6	1.8	0.2	-1.4	-1.6	-1.9	-2.1
Net IMF credit	0.9	1.9	2.4	2.2	0.8	-0.3	-0.3	-0.5	-0.8
IMF purchase	-2.0	-2.7	-3.1	-2.9	-1.3	0.0	0.0	0.0	0.0
IMF repurchase	1.1	0.8	0.7	0.7	0.5	0.3	0.3	0.5	0.8
Other reserves (increase = -)	-1.0	-4.8	-0.7	-0.4	-0.6	-1.1	-1.3	-1.3	-1.3
Exceptional financing	0.2	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Debt rescheduling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional financing	0.2	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Debt payment arrears (reduction=-)	0.2	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Terms of trade (percent change)	-0.4	-19.0	-11.4	-13.4	0.2	1.2	2.7	0.6	0.4
Unit price of exports	-1.1	-1.0	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0
Unit price of imports	-1.1	0.8	0.5	0.9	0.3	-0.1	-0.2	0.0	0.0
Current account	-0.5	-0.7	-0.7	-0.7	-0.6	-0.5	-0.4	-0.3	-0.3
Capital account	0.2	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.3
Nominal GDP (CFAF billions)	1041	1126	1218	1209	1308	1408	1515	1630	1754

Sources: C.A.R. authorities and IMF staff estimates and projections.

Table 5. External Financing Needs, 2018–23 (billions CFAF)

	2018	2019	2020	2021	2022	2023
			Projection			
1. Total financing requirement	161.3	156.7	151.2	142.7	142.5	147.7
Current account deficit (excl. budget support)	141.8	136.1	125.7	112.7	106.2	107.2
Debt amortization	5.7	5.7	5.7	5.6	5.7	3.3
Repayment to the Fund	7.9	6.9	4.4	4.8	8.9	14.3
Change in other reserves	4.9	8.0	15.4	19.6	21.7	22.9
Arrears Repayment	1.0	…	…	…	…	…
2. Total financing sources	88.7	102.2	123.4	115.7	116.5	122.7
Capital transfers	62.5	68.7	75.9	73.2	79.0	85.2
Foreign direct investment (net)	10.0	15.0	20.0	20.0	20.0	20.0
Portfolio investment (net)	0.0	0.0	0.0	0.0	0.0	0.0
Debt financing	7.5	7.5	7.5	7.5	7.5	7.5
Public Sector	7.5	7.5	7.5	7.5	7.5	7.5
Non-public sector	0.0	0.0	0.0	0.0	0.0	0.0
Short-term debt	0.0	0.0	0.0	0.0	0.0	1.0
Other net capital inflows	8.7	11.0	20.0	15.0	10.0	10.0
Exceptional Financing						
Errors and Omissions	0.0	0.0	0.0	0.0	0.0	0.0
3. Total financing needs	72.5	54.5	27.8	26.9	25.9	25.0
Budget support (grants)	37.5	37.2	27.8	27.0	26.0	25.0
World Bank	13.7	11.2	…	…	…	…
African Development Bank	5.4	5.6	…	…	…	…
European Union	11.8	13.8	…	…	…	…
France	6.6	6.6	…	…	…	…
Other	0.0	0.0	…	…	…	…
Budget support (loans)	0.0	0.0	0.0	0.0	0.0	0.0
African Development Bank	0.0	0.0	0.0	0.0	0.0	0.0
4. Residual financing need	35.0	17.3	…	…	…	…
IMF	35.0	17.3	…	…	…	…

Sources: C.A.R. authorities and IMF staff estimates and projections.

Table 6. Central African Republic: Treasury Cash Management Plan, 2018

(millions CFAF francs)

	January	February	March	April	May	June	July	August	September	October	November	December	
Deposits beginning of month (I)[1]	**30,593**	**20,267**	**17,887**	**19,144**	**18,263**	**12,710**	**18,881**	**26,309**	**32,443**	**23,821**	**17,241**	**17,913**	**30,593**
Gross cash inflows (II)	**12930**	**10947**	**14560**	**15923**	**9344**	**26557**	**27555**	**21233**	**8760**	**9480**	**21332**	**26780**	**203566**
Domestic Revenue	9038	10697	8901	10043	9284	8867	9205	8986	8760	9480	9380	9480	112,121
Revenue Customs	4834	4572	4073	4490	4465	3971	4760	3962	4433	4350	4350	4350	52,610
Revenue Tax	3210	5071	3944	4803	4052	4171	3667	4218	3537	4300	4200	4300	49,473
Other revenue	385	414	241	128	140	124	166	193	147	230	230	230	2,628
Salary Tax	609	640	643	622	627	601	612	613	643	600	600	600	7,410
Financing	3,892	250	5,659	5,880	60	17,690	18,350	12,247	0	0	11,952	17,300	91,445
Treasury securities	3,892	0	0	5,352	0	3,896	0	0	0	0	5,352	0	18,492
Other budget support	0	0	5,422	0	0	13,734	18,000	11,897	0	0	6,600	17,300	72,953
World Bank	0	0	0	0	0	13,734	0	0	0	0	0	0	13,734
African Development Bank	0	0	5,422	0	0	0	0	0	0	0	0	0	5,422
IMF Disbursements	0	0	0	0	0	0	18,000	0	0	0	0	17,300	35,300
European Union	0	0	0	0	0	0	0	11,897	0	0	0	0	11,897
France	0	0	0	0	0	0	0	0	0	0	6,600	0	6,600
Depot des correspondants	0	250	237	528	60	60	350	350					
Gross cash outflows (III)	**23,256**	**13,327**	**13,303**	**16,804**	**14,897**	**20,386**	**20,127**	**15,099**	**17,382**	**16,060**	**20,660**	**20,012**	**209,358**
Primary expenditure	7,900	8,022	10,304	10,435	8,651	11,492	13,687	11,546	13,683	12,170	12,370	14,520	134,780
Wages	4,168	4,279	4,312	4,240	4,237	4,639	4,280	4,649	4,467	4,600	4,600	4,600	60,480
add f.i. salary charges	609	640	643	622	627	601	612	612	643	600	600	600	
Transfers	931	987	3,114	1,437	1,204	1,955	4,197	1,873	3,954	1,900	1,900	4,000	27,452
of which: pensions	0	0	1,965	0	0	0	1,965	0	2,002	0	0	1,965	7,897
Goods and services	1,867	1,630	1,202	2,936	1,801	2,892	2,768	3,051	2,258	2,400	2,600	2,600	28,005
Capital		95	531	595	184	807	1,071	829	1,631	2,500	2,500	2,550	13,293
Regies des Ministeres	56	46	16	78	71	71	44	50	79	20	20	20	571
Depenses des Provinces	269	345	486	527	527	527	715	482	651	150	150	150	4,979
Interest and Amortization	6,481	259	1,120	3,836	6,041	7,216	5,912	1,165	808	1,190	5,790	2,992	42,810
Domestic	5,923	196	999	376	5,875	6,820	5,608	1,049	692	290	5,790	1,892	35,510
of which: IMF repayments	1,734	0	709	85	0	2,128	5,318	707	0	0	0	1,200	11,881
of which: treasury securities	4,000	0	0	0	5,500	4,000	0	0	0	0	5,500	0	19,000
of which: Interest	0	7	0	1	85	0	0	52	0	0	0	0	145
of which: BEAC Repayments	0	0	0	0	0	402	0	0	402	0	0	402	1,206
of which: Commercial Banks	189	189	290	290	290	290	290	290	290	290	290	290	3,278
External	558	63	121	3,460	166	396	304	116	116	900	0	1,100	7,300
of which: Interest	285	42	78	1,186	144	196	42	45	45	0	0	300	2,363
of which: Amortizations	273	21	43	2,274	22	200	262	71	71	900	0	800	4,937
Arrears payments	8,875	4,796	1,642	2,005	145	1,498	178	2,038	2,891	2,700	2,500	2,500	31,768
Retrait des correspondants	0	250	237	528	60	180	350	350					
Net cash flow (=II-III)	**-10,326**	**-2,380**	**1,257**	**-881**	**-5,553**	**6,171**	**7,428**	**6,134**	**-8,622**	**-6,580**	**672**	**6,768**	**-5,792**
Deposits at end of month (=I+(II-II	**20,267**	**17,887**	**19,144**	**18,263**	**12,710**	**18,881**	**26,309**	**32,443**	**23,821**	**17,241**	**17,913**	**24,681**	**24,801**

Source: Data provided by the authorities and staff calculations.

[1] Freely usable deposits.

Table 7. Central African Republic: Commitments for 2018 and 2019

	Disbursements 2018	Remaining Commitments for 2018		Commitments for 2019		Purpose
			CFA francs, bn		CFA francs, bn	
IMF	SDR 22.84 million	SDR 22.84 million	35.0	SDR 22.84 million	17.3	Balance of payments support
World Bank	US$ 25 million	$0	13.7	US$ 20 million	11.2	Budget support
African Development Bank	US$10 million	$0	5.4	US$ 10 million	5.6	Budget support
European Union	€ 18 million	€ 0	11.8	€ 21 million	13.8	Budget support
France		€ 10 million	6.6	€ 10 million	6.6	Budget support
Total			72.5		54.5	
excluding IMF			**37.5**		**37.2**	

Table 8. Central African Republic: Indicators of Capacity to Repay the IMF, 2018–29

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
IMF obligations based on existing credit												
(SDR millions)												
Principal	1.73	9.10	5.35	5.85	10.86	17.49	21.22	19.83	17.60	12.59	4.57	0.00
Charges and interest	0.13	0.54	0.55	0.54	0.54	0.54	0.55	0.54	0.54	0.54	0.55	0.54
IMF obligations based on existing and prospective credit												
(SDR millions)												
Principal	1.73	9.10	5.35	5.85	10.86	17.49	28.07	28.96	26.74	21.73	13.70	2.28
Charges and interest	0.13	0.54	0.55	0.54	0.54	0.54	0.55	0.54	0.54	0.54	0.55	0.54
IMF obligations based on existing and prospective credit												
(CFA billions)												
Principal	1.41	7.42	4.36	4.77	8.85	14.25	22.88	23.60	21.79	17.71	11.17	1.86
Charges and interest	0.11	0.44	0.45	0.44	0.44	0.44	0.45	0.44	0.44	0.44	0.45	0.44
Outstanding IMF Credit												
SDR Millions	147.30	161.04	155.68	149.83	138.97	121.49	93.41	64.45	37.71	15.99	2.28	0.00
CFAF Billions	112.42	121.48	115.62	109.99	102.02	89.19	68.57	47.31	27.68	11.74	1.67	0.00
Percent of government revenue	100.28	86.81	75.17	64.59	54.24	43.04	30.44	19.33	10.41	4.06	0.53	0.00
Percent of exports of goods and services	54.56	54.83	49.14	43.81	38.05	31.53	23.24	15.37	8.51	3.40	0.45	0.00
Percent of debt services	631.98	718.86	798.90	747.64	539.76	402.77	317.15	232.99	151.12	85.07	23.58	0.00
Percent of GDP	9.30	9.29	8.21	7.26	6.26	5.08	3.68	2.39	1.32	0.53	0.07	0.00
Percent of quota	132.23	144.56	139.75	134.50	124.75	109.06	83.85	57.85	33.85	14.35	2.05	0.00
Net use of IMF credit (SDR millions)												
Disbursements	45.7	22.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	1.86	9.64	5.90	6.39	11.40	18.03	28.62	29.50	27.28	22.27	14.25	2.82
Memorandum items:												
Nominal GDP (billions of CFA francs)	1209.4	1308.1	1407.8	1514.7	1630.2	1754.5	1863.2	1978.9	2101.4	2231.6	2370.1	2517.5
Exports of goods and services (billions of CFA francs)	206.0	221.5	235.3	251.0	268.1	282.8	295.1	307.8	325.3	345.5	368.3	394.0
Government revenue (billions of CFA francs)	112.1	139.9	153.8	170.3	188.1	207.2	225.3	244.8	265.9	289.0	314.1	341.4
Debt service (billions of CFA francs)	17.8	16.9	14.5	14.7	18.9	22.1	21.6	20.3	18.3	13.8	7.1	6.9
IMF Quota (SDR millions)	111.4	111.4	111.4	111.4	111.4	111.4	111.4	111.4	111.4	111.4	111.4	111.4

Source: IMF staff projections.

Table 9. Central African Republic: Financial Soundness Indicators, December 2011–June 2018

(Percent, end of period)

Concept	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Jun-18
Capital Adequacy								
Total bank regulatory capital to risk-weighted assets	25.6	22.7	39.1	42.2	38.7	32.0	34.3	32.0
Total capital (net worth) to assets	22.3	22.2	23.7	21.9	21.1	19.2	21.0	20.6
Asset Quality								
Non-performing loans to total loans	12.0	9.6	28.5	27.7	30.9	25.6	22.9	22.0
Non-performing loans net of provision to capital	3.3	1.6	50.0	44.4	34.9	18.7	4.3	5.2
Earnings and Profitability								
Net income to average assets (ROA)	5.0	4.5	-1.3	0.9	-0.9	0.8	...	...
Net income to average capital (ROE)	24.4	20.7	-5.4	3.8	-4.0	4.2	...	...
Non interest expense to gross income	59.9	64.0	79.5	73.6	72.8	67.3	...	...
Liquidity								
Liquid assets to total assets	24.3	16.6	19.2	27.5	40.0	31.9	30.7	27.1
Liquid assets to short-term liabilities	160.7	114.5	149.1	203.1	276.1	219.6	227.4	186.60

Sources: C.A.R. authorities and the Banque des Etats de l'Afrique Centrale.

Table 10. Central African Republic: Schedule of Disbursements, 2016–19

Condition for Disbursement	Date	Disbursement	
		Millions of SDR	Percent of Quota
First disbursement upon program approval.	July 20, 2016	SDR 12.525 million	11.2
Second disbursement upon observance of the performance criteria and continuous performance criteria for August 31, 2016 and completion of the first review.	December 21, 2016	SDR 12.525 million	11.2
Third disbursement upon observance of the performance criteria and continuous performance criteria for December 31, 2016 and completion of the second review.	July 20, 2017	SDR 11.70 million	10.5
Fourth disbursement upon observance of the performance criteria and continuous performance criteria for June 30, 2017 and completion of the third review.	December 15, 2017	SDR 28.41 million[1]	25.5
Fifth disbursement upon observance of the performance criteria and continuous performance criteria for December 31, 2017 and completion of the fourth review.	July 02, 2018	SDR 22.84 million[2]	20.5
Sixth disbursement upon observance of the performance criteria and continuous performance criteria for June 30, 2018 and completion of the fifth review.	December 19, 2018	SDR 22.84 million[2]	20.5
Seventh disbursement upon observance of the performance criteria and continuous performance criteria for December 31, 2018 and completion of the sixth review.	March 20, 2019	SDR 22.84 million[2]	20.5
Total		SDR 133.68 million[3]	120.0

[1] Reflects augmentation at 2nd and 3rd review. Approved amount at program request was SDR 11.70 million.

[2] Reflects augmentation at 3rd review. Approved amount at program request was SDR 11.70 million.

[3] Reflects augmentation at 2nd review and 3rd review. Approved amount at program request was SDR 83.55 million.

Table 11. Central African Republic: Risk Assessment Matrix (RAM)[1]

Sources of Risks	Relative Likelihood	Impact If Realized	Policy Response if Materialized
Deterioration of security situation	**High**	**High** Intensifying humanitarian crisis, decline in confidence, investment and business activity, lower economic growth.	Make room for more security-related spending. Accelerate the implementation of the RCPCA to advance peace, security and reconciliation.
Limited institutional and human resources capacity	**High**	**High** Weak implementation of the reform program and TA recommendations could undermine confidence and reduce growth	Improving TA effectiveness by strengthening the role of the coordinating unit and by making sure to have a well-prioritized reform agenda for which targeted TA is requested.
Delayed delivery of external financial assistance	**Medium**	**Medium** Negative effects on investment, growth and employment, and poverty. Less financing could undermine macroeconomic stability.	Strengthen external support through comprehensive reform implementation and communicating the needs of C.A.R.'s development strategy (RCPCA).
Weaker-than-expected global growth	**Medium**	**Medium** Falling export demand would likely reduce exports and fiscal revenue, increasing fiscal risks.	Intensify structural reform and improve business environment to support diversification.
Sizeable deviations from baseline energy prices	**Medium**	**High** Revenue generated by oil taxation is important in C.A.R. An increase in international prices would lead to lower oil revenues.	Simplify the price structure of petroleum products to limit revenue losses and the need to adjust retail prices

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short-term" and "medium-term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Table 12. Central African Republic: Implementation of Key Recommendations from the 2016 Article IV Consultation

Recommendation	Status
Gradually reduce the domestic primary deficit by mobilizing revenues	Implemented but revenues have increased slower than envisaged under the program
Strengthen public financial management	Work in progress. Regular budget reporting has improved but use of exceptional spending procedures remains high.
Increase social spending	Implemented. Social spending has been increased from a very low level.
Improve the business environment by overhauling the investment charter and reforming the mining code and forestry sector regulations	Work in progress. New investment charter has been adopted.
Reform revenue administration and strengthen capacity	Work in progress. Implementation of tax and customs department reform plans has been uneven. Efforts to strengthen capacity are underway.

[1] See IMF Country Report No. 16/269, Central African Republic: 2016 Article IV Consultation Staff Report and Request for a Three-Year Arrangement under the Extended Credit Facility

Annex I. Capacity Building Framework Strategy

October 2018

1. **Central African Republic's (C.A.R.) reform program is supported by an arrangement under the Extended Credit Facility (ECF) approved by the Executive Board on July 20, 2016.** Targeted and timely TA is key to ensure the success of the program. This note presents the capacity development strategy, expected objectives, and technical assistance (TA) priorities that would support the macroeconomic policy priorities in the context of the ECF. The note also defines a set of milestones and outcomes related to the TA program and describes actions to be undertaken by the authorities to achieve the agreed goals.

A. Program Assumptions

2. **C.A.R. is a fragile state plagued by significant weaknesses in administrative and institutional capacity and a volatile security environment**. Within this context, the overarching policy priorities for C.A.R. remain: (i) enhancing domestic revenue collection and revenue performance; (ii) returning to normal budget procedures and improving the efficiency of the public spending process, including the capital spending framework; (iii) building debt management capacity and improving debt management strategy; and (iv) improving data compilation in the national accounts, consumer prices, government finance statistics, and the external sector.

B. Assessment of Past TA Effectiveness

3. **Timely TA delivery during the transition (January 2014–March 2016) was instrumental in rebuilding basic institutions**. During that period, the donor community offered limited and targeted technical assistance in the areas of treasury management, public financial management (connecting the key modules of the public finance management system), the wage bill, and macro-fiscal capacity. In addition, the European Union, France, and the WB developed TA programs and posted several long-term experts covering budget, customs, and aid management. Delivery of Fund TA was hampered by the suspension of TA missions due to the deterioration of security conditions. However, AFRITAC Central organized several offsite TA/training seminars on post-conflict public financial management, revenue mobilization, debt management, national accounts, and government finance statistics.

C. TA Priorities Going Forward

4. **TA priorities to be covered by the Fund are**: (i) tax policy and revenue administration; (ii) public financial management; (iii) public debt management; and (iv) statistics issues on national accounts, government finance statistics, and the external sector. Accordingly, the proposed TA priorities for 2016/2018 IMF TA are shown in the following tables

Tax Policy and Administration (2016–18)	
• Objective:	Achieve more effective and efficient mobilization of domestic resources by: (i) improving the design and administration of VAT and excise taxes; (ii) rationalizing tax and customs exemptions; (iii) reforming the tax and customs administration; and (iv) reform diamond, telecom, and forestry taxation and rationalize parafiscal charges.
• Outcomes:	(i) improved compliance enforcement of VAT filing; (ii) strengthened customs operations; (iii) significantly reduced tax exemptions; (iv) improved domestic revenue, from 7.1 percent of GDP in 2015 to 9.5 percent in 2018.
• Milestones:	(i) improve revenue from the downstream oil sector, forestry and mining sectors (2018); (ii) implement tax laws and streamline tax exemptions (2017-2018); (iii) streamline and modernize processes for large taxpayers/ importers, secure revenue collection through commercial banks network, exchange customs and tax administration data to prevent and combat tax fraud (2017-2018).
• Input:	(i) HQ-led follow-up FAD TA mission on tax policy in FY18; (iii) HQ-led follow up tax administration mission and short-term expert visits to monitor reform implementation. (ii) follow-up mission by AFRITAC; and
• Assumptions:	improved tax and custom services facilitate better compliance; (ii) improved taxation on the diamond, telecom, and forestry sectors; (iii) strong commitment to implementing potentially difficult reforms (e.g., rationalize parafiscal taxes and tax and customs exemptions).
Public Finance Management (2016–18)	
• Objective:	(i) Comprehensive, credible, and policy-based budget preparation; (ii) improved budget execution and control; (iii) improved coverage and quality of fiscal reporting.
• Outcomes:	(i) More credible medium-term macro-fiscal framework that supports budget preparation; (ii) budget execution and controls are strengthened; (iii) stock of expenditure arrears as share of expenditure and frequency of monitoring; (iv) existence of payroll controls; (iv) the chart of accounts and budget classifications are aligned with international standards.
• Milestones:	Streamlining the budget execution procedures, including exceptional and emergency procedures; strengthening of State Owned Enterprises (SOEs) oversight; and aligning the management of earmarked revenues and revenues from parafiscal taxes with best practices (2018).
• Input:	HQ-led TA mission on Public Financial Management; and follow up mission from headquarters and AFRITAC in the PFM area.
• Assumptions:	(i) continued political support to PFM reforms; and (ii) further enhancement of governance practices.

Public debt management (2016–18) (concluded)	
• Objective:	Building debt management capacity and improving the debt management strategy.
• Outcomes:	(i) modernize the institutional, legal and regulatory framework for public debt management; (ii) improve debt management strategy and reporting; and (iii) strengthen analytical and operational capabilities of debt managers.
• Milestones:	Review the institutional and regulatory framework for public debt management and improve debt management strategy (2017).
• Input:	Ongoing missions from AFRIAC Central on debt management with support from HQ on: (i) the institutional, legal and regulatory framework for debt management; (ii) debt portfolio and risk management, including MTDS; (iii) debt reporting; and (iv) debt sustainability analysis and LIC DSA.
• Assumption	Strong commitment toward strengthening debt management.
Statistical Issues on National Accounts, Government Finance Statistics, and the External Sector (2016–18)	
• Objective:	Produce more accurate statistics on prices, national accounts, government finance statistics, and the external sector.
• Outcomes:	Improve economic policy making and inform private sector decisions.
• Milestones:	For national accounts, improve and disseminate the compilation of the 2005–15 annual national accounts in line with 1993 SNA; improve the price collection and update the CPI. For the external sector, improve the compilation and dissemination of the balance of payments and start producing the International Investment Position data. For government finance statistics, start producing the statement of government operations following the GFSM 2001/2014 and implementing the CEMAC TOFE directive based GFSM 2001.
• Input:	For national accounts, visits by short-term experts from AFRITAC Central to review national accounts. For the external sector, a three-year project funded by the Japanese government launched this year. The project targets 17 beneficiary francophone countries, including all the member states of the CEMAC. For government finance statistics, visits by long-term experts from AFRITAC Center to help them implement the TOFE directive.
• Assumptions:	(i) Human and financial resources are available; (ii) collaboration between national agencies involved in statistics.

D. Risks and Mitigation Measures

5. **The implementation of the technical assistance program is subject to various risks**. The table below summarizes these risks and lays out the measures to monitor and mitigate their impact during the TA implementation. This will be a live TA management tool to be updated periodically as the TA program evolves.

Risk	***Probability***	***Impact***	***Mitigation Measures***
Persistently delicate and fluid security situation			
The first risk relates to security, which remains volatile despite recent progress. A deterioration of security conditions could hinder timely delivery of TA in the field and reduce its effectiveness.	***High***	***High***	To mitigate the security risk, the authorities may consider sending staff to outside locations to build capacity.
Delayed support from the development partners			
Lack of resources could cause delays or prevent proper implementation of TA recommendations and outcomes. For example, TA recommendations that require the purchase of equipment and/or the hiring of staff may be delayed if the necessary equipment and staff could not be procured and hired for budgetary reasons.	***Medium***	***High***	The authorities are mobilizing resources pledged during the November 2016 donor conference in Brussels. Development partners, including the European Union and the World Bank, are increasing resources allocated to capacity development projects to cover infrastructure and equipment needs.
Implementation capacity constraints			
Weak institutional and human resources capacity could cause delays or hamper implementation. Government units involved in economic and financial affairs are understaffed, poorly equipped, and work under difficult conditions, including a lack of sufficient energy to power computers and office equipment.	***High***	***High***	As part of their CBF pilot, the new authorities are committed to improve capacity and make the best use of the TA that will be provided by the development partners and the Fund. To offset the lack of specialized local staff, they plan to hire young college graduates and train them in the specialty identified as crucial to improve capacity. Equipment modernization is underway with donor support.

E. Authorities' Commitments

6. **The C.A.R. authorities are committed to continue to rebuild capacity to ensure successful implementation of the ECF-supported program**. TA was delivered in 2016–17 by development partners to enhance customs and tax revenue collection; improve treasury management; strengthen the Government financial management information system (GESCO) pending the development of a new system (SIM BA) in 2020; and pursue civil service reform. For

2017–18, the authorities reached an understanding with the Fund on a comprehensive capacity-building strategy in the context of the Capacity Building Framework (CBF) pilot project. Within this framework, their priorities remain domestic revenue collection, PFM, public debt management, macroeconomic statistics, civil service reform, and macro-fiscal capacity. Outcomes include strengthening the institutional framework in place that coordinates TA and training with a view to increasing revenue; enhancing spending efficiency; restoring budget discipline; strengthening debt management; and creating core macro-fiscal capacity. If security risk heightens, the authorities agree to send staff to outside locations for training. They are also looking forward to taking full advantage of additional TA provided by the Fund under the CBF pilot on tax policy, revenue administration, PFM, national accounts data compilation, and external trade data (Tables 1 and 2). The authorities are committed to improving capacity and making the best use of the TA and training provided by development partners and the Fund through improved coordination of activities.

Table 1. Central African Republic: Technical Assistance Activities, 2017–18

Date	Department	Mission purpose
Jan-17	FAD	Tax policy
	FAD	AFC-Revenue administration
	STA	Balance of payments statistics
Feb-17	FAD	Tax administration
	FAD	Customs administration
	FAD	AFC-Revenue administration
	MCM	AFC-Liability management
	STA	AFC-Government finance statistics
Mar-17	FAD	AFC-Revenue administration
	FAD	Public finance management
	FAD	AFC-Public finance management
	MCM	AFC-Liability management
	STA	AFC-National accounts
May-17	FAD	AFC-Revenue administration
	STA	AFC-National accounts
Jun-17	STA	AFC-Government finance statistics
Sep-17	STA	AFC-National Accounts
	FAD	Revenue administration
Oct-17	MCM	AFC-Liability management
Nov-17	FAD	Revenue administration
Dec-17	FAD	Tax Policy
	FAD	AFC-Customs Administration
	FAD	AFC- Public finance management
Jan-18	FAD	AFC-Revenue administration
	MCM	AFC-Debt Management
	STA	Balance of payments statistics
Apr-18	FAD	Tax administration
	STA	AFC-National accounts
Jun-18	STA	AFC-Government finance statistics (external location)
Sep-18	STA	AFC-National accounts
	FAD	Revenue administration
	FAD	Public finance management
Nov-18	FAD	AFC-Revenue administration
	MCM	AFC-Debt Management
Dec-18	FAD	AFC-Revenue administration
	FAD	AFC-Public finance management

Annex II. Promoting Good Governance and Fighting Corruption in the Central African Republic

CONTEXT

1. **A history of poor governance.** The state remains weak in the C.A.R. as a result of years of violent conflict and poor governance. State authority is yet to be established in large parts of the country, especially in areas that are under the control of rebel forces. Revenue administration has been characterized by a proliferation of taxes and tax agencies, undermining transparency and accountability, and creating considerable fiscal uncertainty for businesses. The country is well endowed with natural resources—notably, diamonds, forestry resources, and gold—but tax revenues are among the lowest in Sub-Saharan Africa. There is widespread discontent in host communities that they benefit little from the exploitation of natural resources.

2. **Restoring state institutions and fighting corruption are critical for peacebuilding and economic development in C.A.R.** Building accountable institutions will be critical to address widespread concerns about nepotism, clientelism, and corruption. Institutional capacity and the judicial system remain weak. Corruption is often cited as a key risk to doing business. Production costs are high because the country is landlocked—which leads to high transportation costs—and infrastructure is poor.

EFFORTS TO PROMOTE GOOD GOVERNANCE AND FIGHT CORRUPTION

3. **Fund engagement.** The Fund provides substantial support to improve fiscal transparency and macroeconomic management. The TA program, embedded in the IMF's Capacity Building Framework pilot project, focuses on revenue mobilization, PFM, debt management, and macroeconomic statistics. An ECF arrangement, approved in 2016, supports the authorities' efforts and discussions for the Fifth Review were conducted in October-November 2018. The program has a strong focus on widening the coverage of treasury operations, strengthening the treasury single account, ending the proliferation of taxes and tax agencies, strengthening revenue administration, and securing revenue collection. Steps to enhance transparency and accountability include the publication of regular budget execution reports and reducing the use of exceptional spending procedures. These efforts are supported by conditionality, including a performance criterion on domestic revenues, an indicative target to limit spending through exceptional procedures, and structural benchmarks.

4. **Fighting corruption and promoting transparency.** The following are the main measures adopted to fight corruption and promote transparency in governance:

- **Implementing the United Nations Convention Against Corruption (UNCAC).** In 2006, C.A.R. ratified the United Nations Convention against Corruption. In 2016, it underwent an implementation review of Chapter III (relating to criminalization and enforcement of the law) and Chapter IV (relating to international cooperation). The review highlighted deficiencies and inconsistencies in the criminalization of acts of corruption, and impediments to extradition and mutual legal assistance.

- **Declaration of Assets**: The constitution requires the President, Prime Minister and members of Government to declare their asset at the Constitutional Court before or shortly after taking up duty and upon leaving their function. For members of Government, this is a structural benchmark under the ECF program. However, there is no legislation establishing the framework for the implementation of the regime and sanctions for defaulters. Staff was informed that all members of government and most high-level officials have submitted their declaration.

- **The High Authority for Good Governance** established in 2017 is mandated with promoting good governance for which it has developed a national strategy. However, the strategy is yet to receive wider support by the government. The President of the Authority stressed that a lack of financial resources is a key constraint.

Recommendations

- Implement the recommendations of the review of the UNCAC, namely to criminalize acts of corruption and eliminate all restrictions on extradition and on bilateral legal assistance.

- Enact legislation establishing a framework for the asset declaration regime in line with best practices, namely to ensure that declaration obligations cover high-level officials and their family members, require the declaration of all assets held domestically and abroad, directly and beneficially, put in place a verification mechanism, establish dissuasive sanctions for non-compliance, and require the publication of the declaration.

- Strengthen the capacity of the High Authority for Good Governance and seek adequate funding.

Natural Resource Management

5. **C.A.R. is endowed with natural resources which have sometimes financed violent conflict.** Small-scale diamond mining is a major source of employment but a large proportion of the diamonds produced is smuggled abroad. Timber accounts for more than half of official exports. The following are the main initiatives that have been undertaken to improve management of natural resources and ensure that they do not finance violent conflict:

- In 2003, C.A.R. joined the **Kimberley diamond certification scheme**—which aims to prevent the sale of diamonds mined in areas affected by conflict. The scheme initially imposed an embargo on the export of diamonds from C.A.R., which was subsequently partially lifted.

- In 2010, C.A.R. joined the **Extractive Industry Transparency Initiative (EITI)** which requires countries to "publish timely and accurate information on key aspects of their natural resource management, including how licenses are allocated, how much tax, royalties and social contributions companies are paying, and where this money ends up in the government at the national and local level. By doing so, the EITI seeks to strengthen public and corporate governance, promote understanding of natural resource management, and provide data to inform." C.A.R. membership was suspended in 2013. The country has launched a process for lifting the suspension.

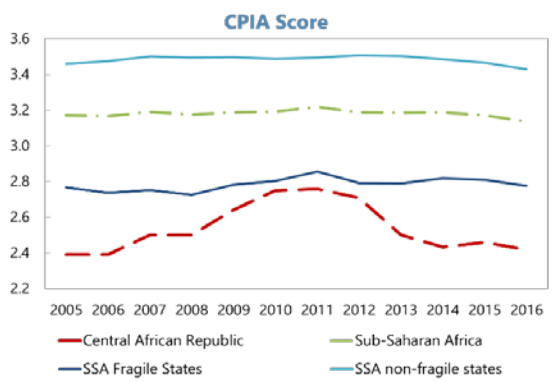
- All mining and forestry contracts are now published on the website of the Ministry of Finance and Budget. This is a structural benchmark under the ECF.

Recommendations

- Expedite ongoing efforts to the lift the suspension from the Extractive Industry Transparency Initiative.
- Encourage greater involvement of civil society in the management of natural resources.
- Ensure that host communities benefit from the exploitation of natural resources.

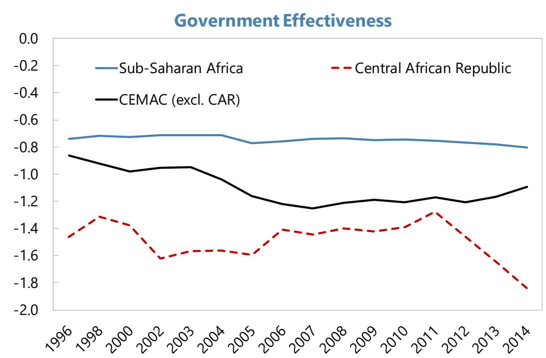
Figure 1. Central African Republic: Governance Indicators

The quality of C.A.R.'s institutions has declined after some improvement before the 2013 crisis…



Sources: World Bank Country Policy and Institutional Assessment

…and government services need reconstruction.



Source: Worldwide Governance Indicators

Scale is from -2.5 to 2.5, with higher scores representing more favorable governance

Note that estimates are subject to uncertainty

Annex III. Promoting Gender Equality in Central African Republic: Paths to Peace and Growth

A. Background

1. **Gender gaps contribute to instability and fragility, or conversely: more inclusive countries tend to be less likely to return to civil war.** Though measuring gender inequality is challenging, even when proxies such as fertility rate and labor force participation rate may dilute the effects, the relationship between gender inequality and conflict risk is positive and significant.

2. **Women's participation in politics and economic autonomy[1] are essential to the durability to post-conflict peace**—one study found that post-conflict legislatures with at least 35 percent women did not relapse into conflict.[2] Caprioli (2005) found that countries with higher fertility rates and lower female labor force participation were more likely to devolve into civil war. Specifically, countries with 40 percent female labor force participation are 30 times less likely to devolve into intrastate conflict than those with 10 percent of women in the labor force. [3] The labor market is artificially restricted by norms which lower female labor force participation, leading to a suboptimal allocation of resources, lower total factor productivity, and reduced output growth.[4, 5] Lower gender gaps in education and higher female labor force participation have been associated with higher diversification of output and export products, which in turn support economic resilience.[6]

3. **Women, when included, tend to have a positive impact on governance, stability, and macroeconomic outcomes.** Higher levels of corruption are associated with countries with lower gender equality.[7] Conversely, gender equality has been associated with better

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[1] Autonomy in this case refers to a person's power to make decisions, including physical, economic, and political decisions.

[2] Demeritt, J., A. Nichols, & E. Kelly. "Female Participation and Civil War Relapse." *Civil Wars*. Vol 16, No. 3, pp. 346-68.

[3] Caprioli, M. 2005. "Primed for Violence: The Role of Gender Inequality in Predicting Internal Conflict." *International Studies Quarterly*. Vol. 49, pp. 161-78.

[4] Cuberes, D. and M. Teignier. 2016. "Aggregate Effects of Gender Gaps in the Labor Market: A Quantitative Estimate." *Journal of Human Capital*. Vol. 10, No 1, pp. 1–32.

[5] Esteve-Volart, B. 2004. "Gender Discrimination and Growth: Theory and Evidence from India." s.l.: LSE STICERD Research Paper No. DEDPS 42, 2004.

[6] Kazandjian, R., L. Kolovich, K. Kochhar, and M. Newiak. 2016. "Gender Equality and Economic Diversification." IMF Working Paper 16/140. Washington, D.C.: International Monetary Fund.

[7] Branisa, B., S. Klasen, & M. Ziegler. 2013. "Gender Inequality in Social Institutions." *World Development*. Vol. 40, pp. 252-68.

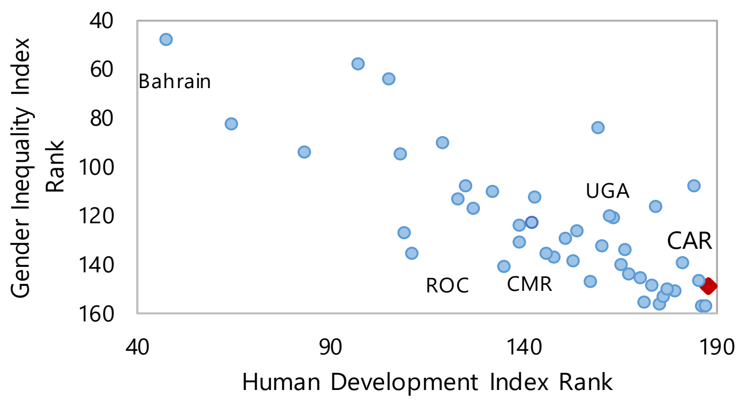
macroeconomic outcomes at all levels of development, including higher GDP, greater productivity, and faster economic growth.[8] [9]

4. **Women with agency can positively impact the economy**. Women tend to invest more of their resources into their children, which in turn yields greater school expenditures and higher school enrollment for children.[10] Lower adolescent and general fertility rates are associated with higher education levels for girls, higher female labor force participation, increased savings, and improved health outcomes.[11]

B. Current State of Gender Quality

5. **Central African Republic (C.A.R.) ranks last on UNDP's 2016 Human Development Index (188 of 188) and 149th of 159 on the Gender Inequality Index.**[12] Amid insecurity, violence in C.A.R. continues. Sexual violence was weaponized to subjugate civilian populations during the civil war, and the violence against women has yet to end: mass rapes by roving militias continue as recently as this year. Secretary-General Gutierres of the UN called this violence to end during his October 2017 visit to the C.A.R. However, violence still continues, with organized violence toward women is the highest in Sub-Saharan Africa, with about 30 female battle deaths per 100,000, according to the Georgetown Institute for Women, Peace and Security.

Figure 1. Central African Republic: Human Development Index and Gender Inequality Index Rankings, 2016



Source: United Nations Development Programme

*Latest available data

6. **Central African women are limited in their choice of where to live and as a head of household, according to the 2018 *Women, Business, and the Law* Report.** C.A.R. also follows most of Francophone Africa (75 percent) in legacy legislation mirroring 1950s French laws which

[8] World Bank. 2012. "World Development Report: Gender Equality and Development." Washington, D.C.: World Bank Group.

[9] IMF, 2015. "Regional Economic Outlook. Sub-Saharan Africa. Dealing with the Gathering Clouds." Washington, D.C.: International Monetary Fund. October.

[10] Aguirre, D., L. Hoteit, C. Rupp, and K. Sabbagh, 2012, "Empowering the Third Billion. Women and the World of Work in 2012," Booz and Company.

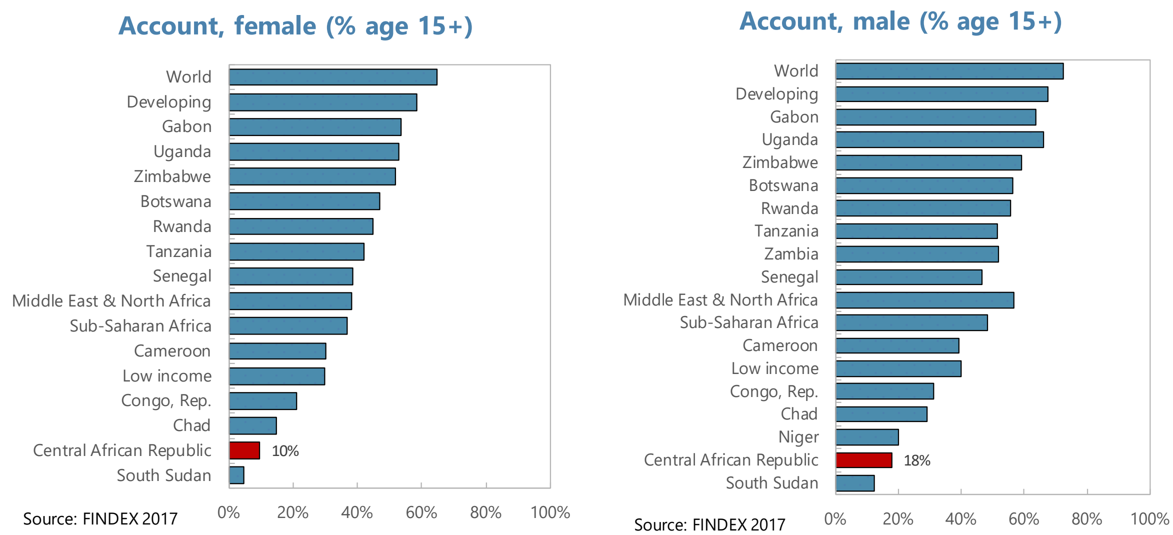
[11] Bloom, D. E., D. Canning, G. Fink, and J. E. Finlay. 2009. "Fertility, Female Labor Force Participation, and the Demographic Dividend." *Journal of Economic Growth*. Vol. 14, p. 79–101.

[12] Third Party Indicators may be subject to bias and should be treated with caution.

limit women's employment. The report also shows that conversely, when women have greater decision-making power in business, they are more likely to participate politically.[13]

7. **ILO statistics show that women made up 45 percent of the labor force in C.A.R. in 2016**. [14] Women make up 83 percent of the agricultural workforce in C.A.R., which employed 74 percent of C.A.R.'s people in 2016, according to AfDB statistics.

Figure 2. Percentage of Women with Access to Banking Services, 2017



Source: FINDEX 2017

8. **The Ibrahim Index of African Governance (IIAG) scores C.A.R.'s gender equality at 37.4 of 100 as of 2016** (latest available data). This indicator takes into account human capital development, resource opportunities, and legal protection for men and women. They score women's political participation (women's representation in legislative and executive branches of government) at 27.4 on the same scale. In marked contrast, C.A.R. has the highest score for women's participation in the judiciary (women representing at least one third of the members of the highest branch of the judicial system), at 100. Women magistrates comprised 18 of 200 total, or 9 percent of the judiciary.

[13] Iqbal, Sarah. 2018. Women, Business, and the Law 2018. Washington, D.C.: World Bank Group.
[14] Most female labor force participation statistics on the C.A.R. are from modeled ILO estimates.

Table 1. Central African Republic: Selected Gender Indicators

(Percent, unless otherwise indicated)

	2000	2005	2010	2015	Current 2017
General					
Population (number of people)	3,754,986	4,127,910	4,448,525	4,546,100	
Female share in total population	50.8	50.7	50.7	50.7	
Life expectancy at birth					
Male	42.7	43.2	46.1	49.6	
Female	45.2	45.7	49.1	53.2	
Opportunities					
Health					
Maternal mortality rate (modeled estimate, per 100,000 live births)	1200	1060	909	882	
Fertility rate	5.5	5.4	5.2	4.9	
Adolescent fertility rate (births per 1,000 women ages 15-19)	127.3	113.0	101.6	90.7	
Outcomes					
Labor force participation rate (modeled ILO estimate)					
Male	79.0	78.8	79.0	80.3	80.0
Female	64.2	64.1	64.1	63.4	63.3
Unemployment rate (modeled ILO estimate)					
Male	5.7	5.8	5.8	5.9	6.1
Female	6.6	6.7	6.7	6.6	6.9
Youth					
Female seats in parliament (share of total seats)	7.3	10.5	9.6		8.6
Ratio of female to male income					

Source: World Bank and International Labour Organisation

C. C.A.R. has Made Commitments to Gender Equality.

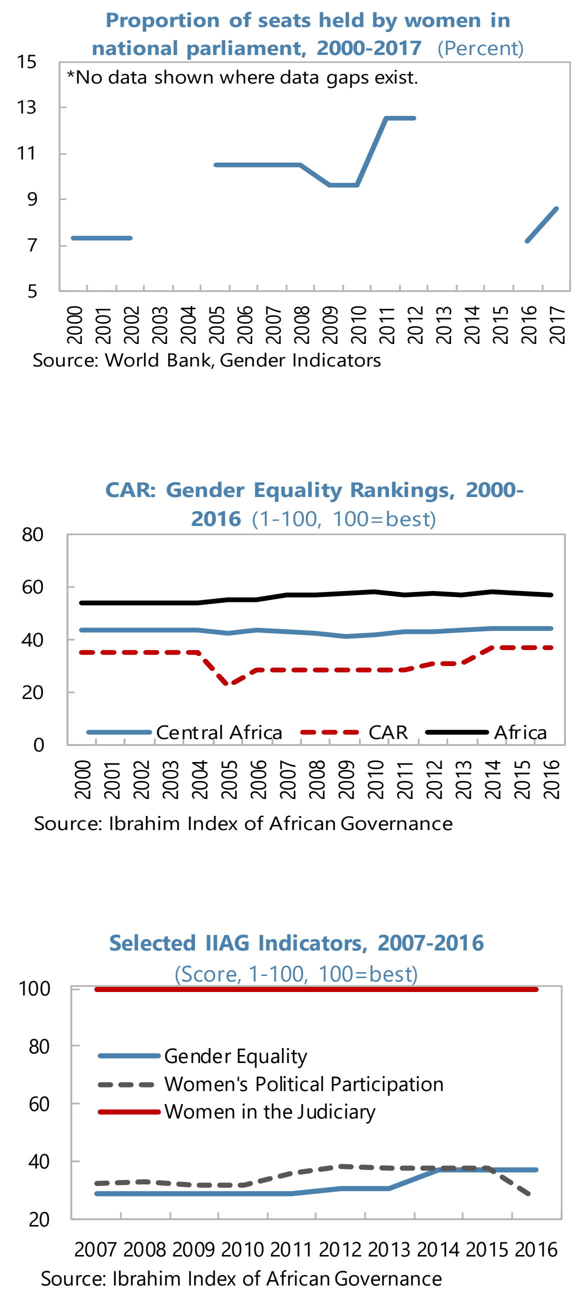
9. **C.A.R. has recognized already the positive economic dividends that the country could reap from improved gender relations.** Some agreements C.A.R. has committed to include:

10. **The United Nations Security Council Resolution 1325 calls for signatory countries to create a National Action Plan.** C.A.R. authored one for 2014–16, which calls for 5 priority axes:

- Improvement of knowledge of national actors and the population of UNSCR1325 and other international women's rights protection instruments, to support social mobilization favoring civil population protection and women in times of conflict as well as the in the peace process;
- Reinforcement of the prevention of violent conflict and the protection of the civil population;
- Increased participation and representation of women at all levels of decision making process, management, and resolution of conflict;
- Strengthening the protection of civil populations against violence and the rehabilitation of victims of conflict-related sexual violence;
- Strengthening of the coordination and monitoring evaluation of these actions.

Each axis has accompanying actions which lay forth concrete steps the government may take to achieve each respective axis.

Figure 1. Central African Republic: Selected Governance Indicators, Gender



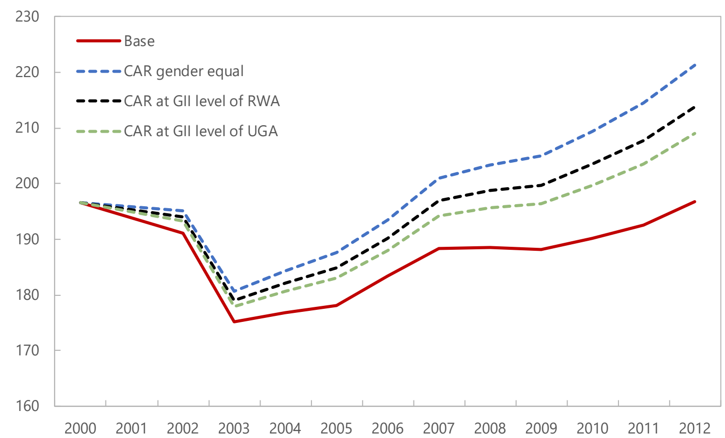
11. **National law (Title 3, Chapter 1) sets a minimum quota of 35 percent women in parliament during the transition time until 2026, and 50 percent, thereafter.** The law also sets up the National Gender Parity Observatory (Observatoire National de la parité).

12. **The National Action Plan for Peace and Reconciliation identifies gender equality as a cross-cutting objective in all three of its priority pillars.** In pursuit of gender equality, the plan asks for greater sex- and age-disaggregated data to monitor and evaluate the progress of this objective.

D. Benefits from Improved Gender Relations

13. **Based on the experiences of other fragile countries, C.A.R. stands to greatly benefit from improved gender equality.** There are opportunities to leverage improved gender relations for leaving behind the conflict cycle and improving economic growth. Rwanda and Uganda are examples of countries which opened to women's participation and hugely benefitted—one estimate shows that gender equality explains 0.5 percent of Rwanda's 2.2 percent higher growth compared to other countries in Sub-Saharan Africa.[15] Our estimates show that if C.A.R. had the same level of gender inequality as Rwanda, average annual GDP growth would be higher by 0.76 percentage points.[16] Over time, this translates to significantly higher real GDP per-capita levels (Figure 3).

Figure 3. Real GDP per capita, 2000–12



Source: IMF Staff estimates

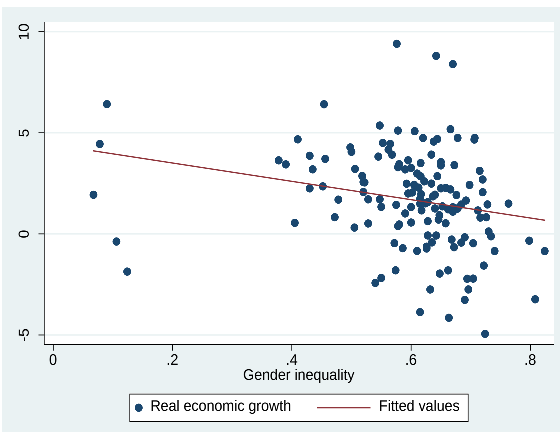
13. **C.A.R. has already progressed toward benefitting from improved gender relations.** The government has quotas and ministries for gender and family; The next step is to continue adherence to C.A.R.'s preexisting commitments outlined above by reporting gender—and age—disaggregated data to better track national gender equality commitments as well as assess gender-specific impacts of policies. In this regard, the implementation of the national gender parity observatory is a welcome first step.

[15] IMF. 2017. Rwanda: Selected Issues. IMF Country Report No. 17/214.

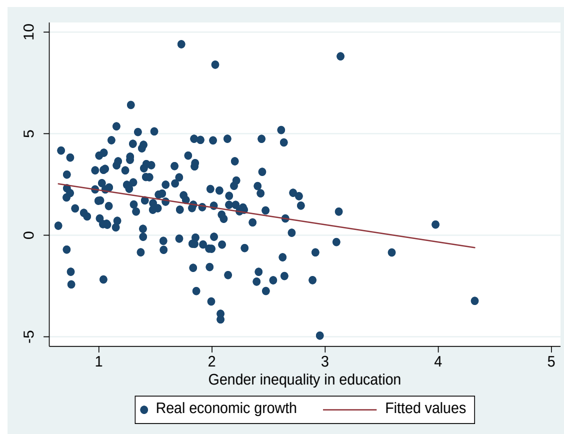
[16] The regressions are performed on a sample of 103 countries over the period of 1994-2014, using a system-GMM method to address endogeneity issues.

Figure 2. Central African Republic: Decomposition Regression Visualization

There is a clear negative correlation between economic growth and gender inequality, meaning the higher the gender inequality, the lower the growth.



The same applies for gender inequality in education: the higher the inequality of genders who attend school, the lower the growth.



Annex IV. External Sector Assessment

The external sector assessment finds that the external position is weaker than implied by medium-term fundamentals and desirable policy settings. This is largely due to structural factors such as insecurity, lack of infrastructure, high transport costs, and a weak business climate. Macroeconomic policies are broadly appropriate. Compared to the last external sector assessment in 2016, the current account deficit narrowed due to export growth and higher transfers. C.A.R.'s external position would benefit from actions to foster security, improve the business environment, diversify the economy, and strengthen resilience.

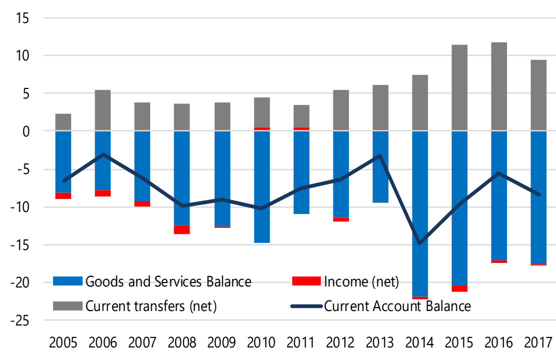
A. Balance of Payments and Exchange Rate Developments

1. **The current account deficit narrowed in 2017 to 8.3 percent of GDP.** This development was mainly driven by an increase in exports. Meanwhile an increase of oil and non-oil imports exerted some pressure on the trade balance. Significant official and private transfers lowered the current account deficit (Figure 1).

Figure 1. Central African Republic: External Sector Developments I

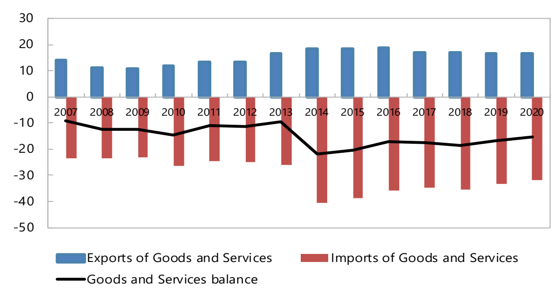
Current Account Balance Components, 2005-17

(Percent of GDP)



Exports and Imports, 2007-2020

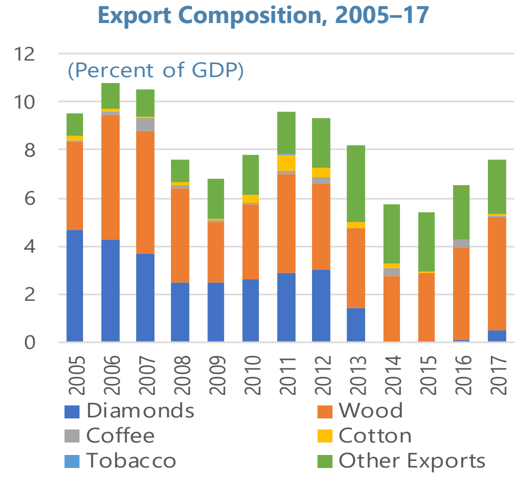
(Percent of GDP)

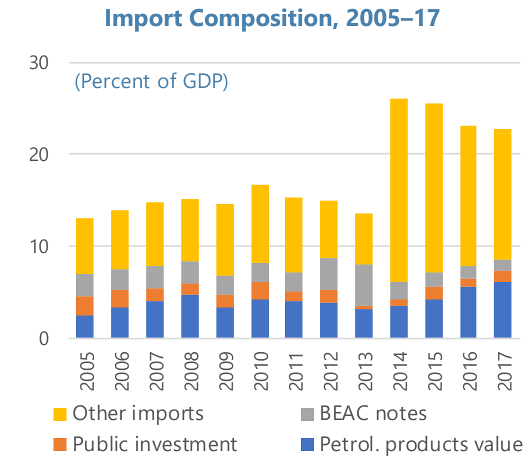


Source: CAR authorities and IMF staff estimates

2. **In 2017, C.A.R.'s exports stood at 7.6 percent of GDP: a 1.8 percent of GDP increase from 2014.** C.A.R.'s exports suffered significantly during 2012–15 but have exhibited a steady recovery since then. This was mainly driven by a sharp rise in wood exports, which accounted for 62 percent of total exports in 2017. Diamond exports improved following the partial re-certification by the Kimberley process amid a period of increased stability. Oil was the most important import with a share of 27 percent of total imports.

Figure 2. Central African Republic External Sector Developments II



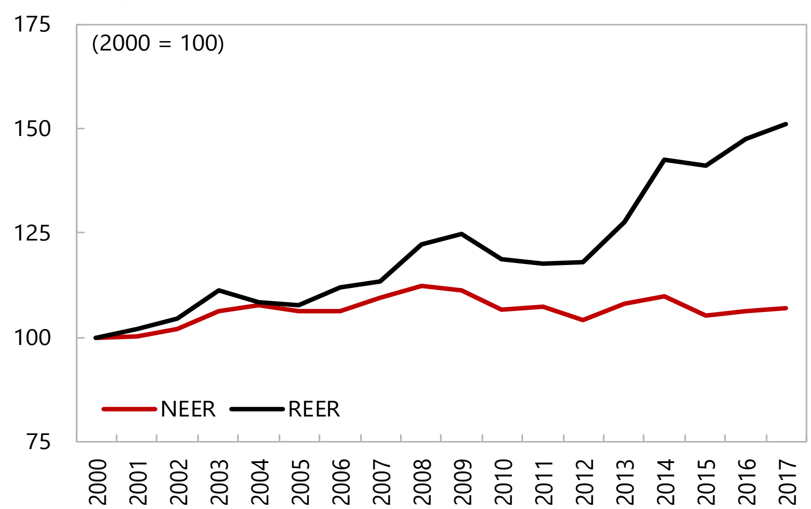


Sources: BEAC and IMF staff

3. **The capital and financial accounts moderately improved** owing to an increase in FDI and other investment and an augmentation in project grants. However, overall foreign direct investment remained weak, reaching only 0.4 percent of GDP in 2017—far below pre-crisis levels (2 percent of GDP in 2012).

4. **C.A.R.'s nominal effective exchange (NEER) rate remained broadly stable while the real effective exchange rate (REER) appreciated** (Figure 3). Following a prolonged period of stability, the REER appreciated during the 2013 crisis and in subsequent years due to higher inflation.

Figure 3. Central African Republic: Effective Rates



Source: IMF Information Notice System (INS), World Economic Outlook (WEO), and IMF staff estimates.

5. **The current account deficit is projected to gradually improve over the medium term.** By 2021, the current account deficit is expected to reach 5.5 percent of GDP. Exports are expected to increase gradually, supported by a recovery in the wood sector and an increase in diamond exports. Imports are projected to grow in line with aggregate demand as the economy recovers.

B. Exchange Rate Assessment

6. **The external assessment is informed by the EBA-lite methodology.**[1] Staff used the current account (CA) and the REER models. The current account and real exchange rate models provide estimated current account and exchange rate norms, which indicate values that are consistent with fundamentals and desirable policies. The resulting gap between the actual value for the current account (REER) and the norm can be divided in a policy gap, consisting of deviations of domestic policies or policies in the rest of the world from desirable values for the medium term, and the remaining gap.

Table 1. Current Account and Real Exchange Rate Assessment Results, 2017

(in percent of GDP)

	Current account regression		Equilibrium RER regression
Current account reference	-8.3%	Ln(REER) Actual	4.84
Current account norm	-6.4%	Ln(REER) Fitted	4.66
Current account gap	-1.9%	Ln(REER) Norm	4.68
o/w. Policy gap[1]	1.0%	Residual	0.18
Real exchange rate gap	13.0%		16.6%

Source: IMF Staff estimates

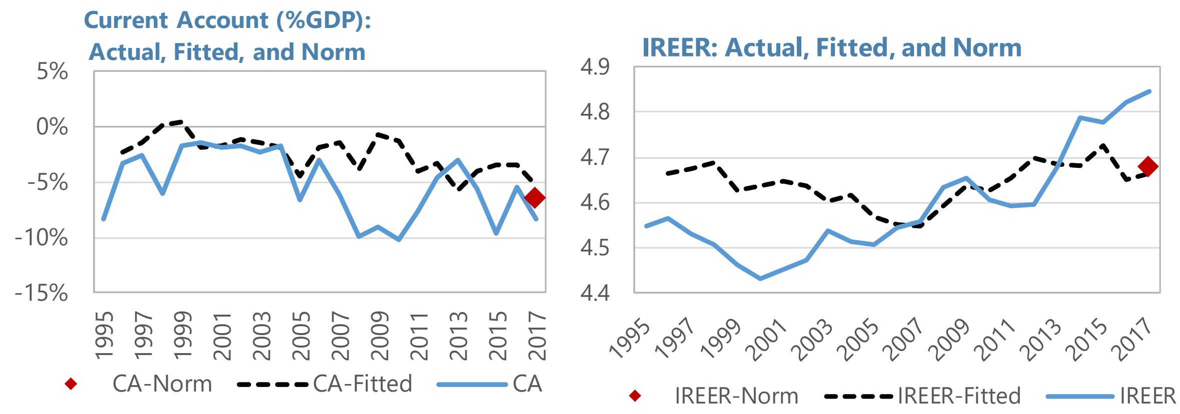
Assumption for the elasticity of trade balance to real exchange rate is -0.15

[1] The main drivers of the policy gap are fiscal policy (0.32%) and private credit growth (0.46%)

7. **Quantitative methods suggest that the external position is weaker than implied by fundamentals and desirable policies (Table 1 and Figure 4).** While the results based on the quantitative methods need to be interpreted with caution given the weakness of the underlying data, they point in the same direction. The overvaluation of the real effective exchange rate is estimated between 13 and 16 percent according to the two models. However, the contribution of the policy gap is small and mostly driven by policy deviations in the rest of the world. In staff's assessment, macroeconomic policies in C.A.R. are broadly in line with desirable medium-term values. Structural factors such as insecurity, high transportation costs, lack of infrastructure, and a weak business climate likely explain the remaining gap.

[1] http://intranetapps.imf.org/fundwide/su/Web%20Part%20Pages/DM%20Item.aspx?docnum=5866859

Figure 4. Central African Republic: External Position Developments, 2017



Source: Staff External Balance Assessment

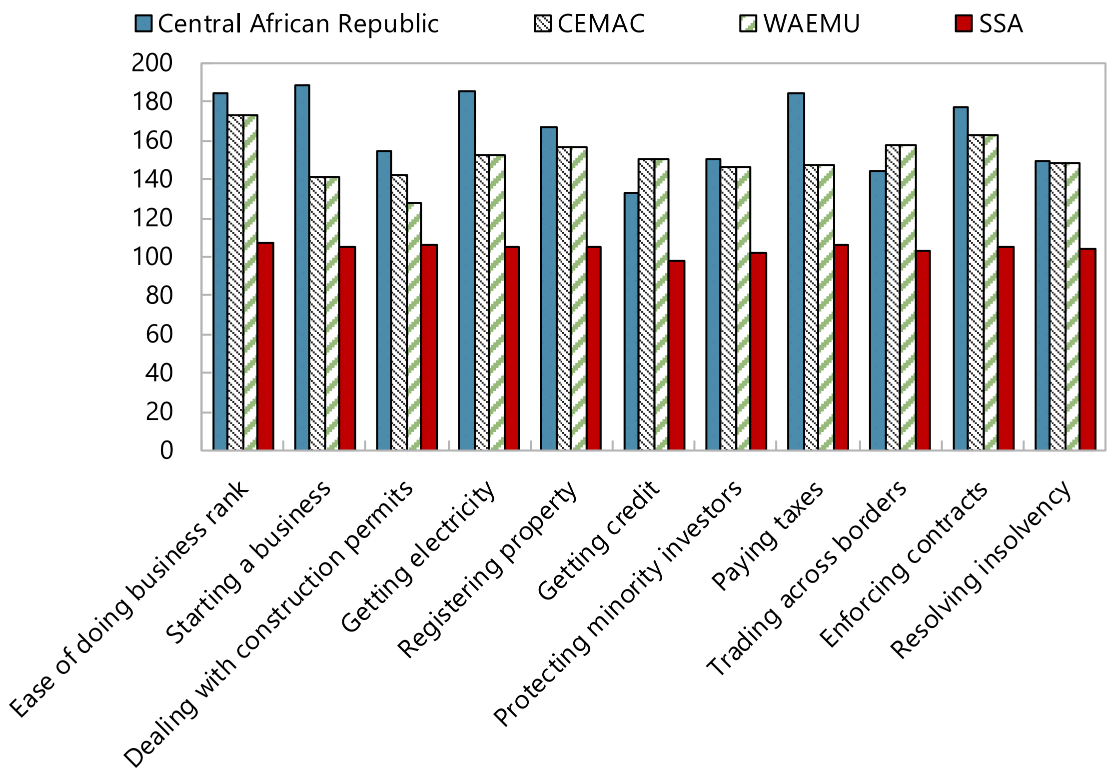
C. Structural Competitiveness

8. **An improved security and business environment, investments in infrastructure, and better governance could enhance competitiveness**. Recent conflicts had a direct impact on the business environment. C.A.R.'s overall structural competitiveness performs poorly according to several survey indicators, implying substantial room for improvement.

9. **The 2018 World Bank *Doing Business* indicators showed a modest improvement in C.A.R.'s business environment.** Yet C.A.R. underperformed compared to the CEMAC and SSA regional average. Weak areas of the business environment include starting a business, paying taxes, and electricity distribution. Poor governance and weak institutions additionally undermine C.A.R.'s competitiveness.

Figure 5. *Doing Business* Rank, 2018[1]

(1 = best; 191 = worst)



Source: World Bank's *Doing Business Index 2018*

[1]There is considerable uncertainty in point estimates in ranking indicators and thus should be interpreted with caution.

10. **Insecurity, high transportation costs, and a lack of energy supply undermine C.A.R.'s competitiveness.** The lasting high-level of insecurity amid repeated eruptions of violence impedes private investment. C.A.R. is landlocked and most of its formal trade transits through two unreliable corridors.[2] Numerous tariff and non-tariff barriers undermine secure transportation. The proliferation of checkpoints along the trade routes impose additional costs. Formal energy production falls far short of demand and covers only about a fourth of the energy consumption in the Bangui area, adding to costs for major energy consumers.

11. **C.A.R. also performs poorly on governance and institutional quality.** Poor governance and weak institutions contribute to C.A.R.'s weak external competitiveness. The World Bank's

[2] The first corridor connects Bangui to the port of Douala, and the second links Pointe Noire to Bangui via Brazzaville, via the Ubangi river.

CPIA indicators[3] in 2016 indicated that government effectiveness has been low over the past few years (Table 2), and its overall score of 2.4 remains below the average for SSA.

Table 2. Central African Republic: Country and Policy Institutional Assessment, 2016

(1 = low, 6 = high)

	Central African Republic			CEMAC[1]	WAEMU	SSA
	2012	2014	2016		2016	
Economic Management	**3.3**	**2.8**	**2.8**	**3.3**	**3.6**	**3.2**
Macroeconomic Management	3.5	3.0	3.0	3.4	3.9	3.3
Fiscal Policy	3.5	2.5	3.0	3.0	3.3	3.0
Debt Policy	3.0	3.0	2.5	3.5	3.6	3.2
Structural Policies	**2.5**	**2.5**	**2.3**	**2.8**	**3.4**	**3.2**
Trade	3.0	3.0	2.5	3.3	4.1	3.6
Financial Sector	2.5	2.5	2.5	2.8	2.9	2.8
Business Regulatory Environment	2.0	2.0	2.0	2.5	3.3	3.1
Policies for Social Inclusion and Equity	**2.6**	**2.2**	**2.3**	**2.7**	**3.2**	**3.2**
Gender equality	2.5	2.5	2.5	2.8	3.1	3.2
Equity of Public Resource Use	3.0	2.0	2.0	2.6	3.3	3.3
Building Human Resources	2.5	2.5	2.5	2.9	3.4	3.6
Social Protection and Labor	2.0	2.0	2.0	2.5	2.8	3.0
Policies and Institutions for Environment Sustainability	3.0	2.0	2.5	2.6	3.4	3.2
Public Sector Management and Institutions	**2.4**	**2.2**	**2.2**	**2.6**	**3.1**	**3.0**
Property Rights and Rule-Based Governance	1.5	1.5	1.5	2.3	2.8	2.8
Quality of Budgetary and Financial Management	2.5	2.5	2.0	2.8	3.2	3.1
Efficiency of Revenue Mobilization	3.0	2.5	2.5	2.9	3.4	3.4
Quality of Public Administration	2.5	2.0	2.5	2.5	2.9	2.9
Transparency, Accountability and Corruption in Public Secto	2.5	2.5	2.5	2.4	3.0	2.7
Overall CPIA Score	**2.7**	**2.4**	**2.4**	**2.8**	**3.3**	**3.1**

Source: World Bank, Country Policy and Institutional Assessment 2016.

[1] CEMAC excludes Gabon and Equatorial Guinea because of data unavailabity.

[3] Third party indicators, including the CPIA and the Index of Economic Freedom, depend on external analysis and thus should be treated with caution.

Appendix I. Letter of Intent

Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, DC, 20431

Bangui, December 6, 2018

Dear Madame Lagarde:

1. On July 2, 2018, the Executive Board completed the fourth review of the ECF arrangement and approved a disbursement of SDR 22.84 million. The attached Memorandum of Economic and Financial Policies (MEFP) describes recent economic development in the C.A.R., progress that has been made in implementing our policies through end September 2018 and our medium-term reform agenda.

2. All performance criteria at end June 2018 have been met. Revenue overperformed, which is a reversal of the last two reviews. All structural benchmarks as of end June 2018, albeit with some delays, and end-September 2018 have been implemented. Projections of debt service and stock of debt are now produced in Sygade. All mining and forestry permits have been published on the Ministry of Finances and Budget website. The external audits of the forestry development fund and the telecommunications regulatory agency were completed, and the petroleum price structure was streamlined.

3. Our medium-term objectives remain to: strengthening revenue mobilization to widen our fiscal space, improving public spending efficiency, promoting transparency and good governance, reduce poverty and stimulate growth. To this end, we submitted to the National Assembly a draft budget law for 2019 consistent with the ECF-supported program. We are determined to redouble efforts to mobilize domestic revenue. To achieve our revenue target for 2019, we will implement all tax and customs measures described in the attached MEFP. We will also continue to rationalize and improve the efficiency of public spending and strengthen good governance.

4. We are committed to repaying domestic arrears in line with the government's strategy and avoiding new accumulation of arrears. We stayed current on all external debt service falling due. To restore long-term macroeconomic stability and debt sustainability, since the beginning of 2018, neither the central government, state-owned enterprises nor

government agencies have contracted or guaranteed new external loans, except for the highly concessional loan of CFAF 7.2 billion provided by the Arab Bank for Economic Development in Africa. We are mobilizing only grants and will contract highly concessional financing only within the borrowing limits of the program to finance our development projects. We reiterate our commitment to consult with IMF staff before contracting any new external borrowing.

5. Based on progress made so far, we are requesting the disbursement of the sixth tranche of the ECF arrangement, amounting to SDR 22.84 million (20.5 percent of our quota), to cover our persistent balance of payments needs.

6. We remain convinced that the measures and policies outlined in the attached MEFP are adequate to achieve the objectives of our program and to reduce our balance of payments needs going forward. We will not introduce any measures or policies that would compound our balance of payments difficulties. We will consult with the Fund on revisions to policies contained in the MEFP in accordance with the Fund's policies on such consultations. We will provide the Fund staff all data and information needed to assess our policies, particularly those mentioned in the Technical Memorandum of Understanding (TMU).

7. We intend to publish the IMF staff report, including this letter, the attached MEFP, and the TMU as an appendix. We therefore authorize the Fund staff to publish these documents on the IMF's external website once the Executive Board has completed the fifth review of the ECF arrangement.

Sincerely yours,

/s/	/s/
Henri-Marie Dondra	Henri-Marie Dondra
Minister of Finance and Budget	on behalf of the Prime Minister

Attachments:
Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

This memorandum updates the July 2018 MEFP prepared for the Fourth Review under the economic program supported by the Extended Credit Facility (ECF), approved by the IMF Executive Board in July 2016. The program objectives are to consolidate macroeconomic stability, create the conditions for sustainable and inclusive growth, fight poverty, and strengthen the government's efforts to promote peace and reconciliation. The MEFP describes recent macroeconomic developments, the program implementation at end-June 2018 and end-September 2018, the economic outlook and risks, and the macroeconomic and structural policy objectives for the remainder of 2018 and beyond.

RECENT MACROECONOMIC DEVELOPMENTS

1. **The security situation has improved but remains fragile. After the violence in May, which affected the cities of Bangui and Bambari in particular, the government took measures which helped to restore security in both cities**. Those efforts were accompanied by the continued installation of prefects and sub-prefects and redeployment of the army, security forces, and the administration in some provinces. The government also pursued talks with the 14-armed groups under the aegis of the African Union. However, the humanitarian situation continues to raise considerable concern.

2. **Economic growth is estimated at 4.3 percent in 2018. This momentum reflects the significant increase in externally financed investments and the sustained recovery of construction and forestry activities**. However, the insecurity in some rural areas affects agricultural activities and the mining sector. The inflation rate has declined slightly since May 2018 due to falling prices of food products and manufactured goods.

3. **The government's fiscal policy remains prudent. The government adopted a revised budget in July 2018 to incorporate new tax measures and adjust expenditures**. The primary fiscal on cash basis was balanced at end-June 2018. Tax revenue reached CFAF 56.7 billion compared to a forecast of CFAF 53.4 billion. This performance reflects the gradual integration of parafiscal taxes (road usage fees (RUR) and the airport security tax (TSA)) into the treasury single account, the encouraging outcomes of tax measures introduced in 2018, implementation of the new convention with banks for the mobilization of revenue and the intensification of tax audits. Primary expenditure totaled CFAF 56.7 billion. Priority social spending reached CFAF 12.5 billion. In addition, payment of salary arrears and domestic commercial arrears amounted CFAF 19 billion during the first half of 2018.

4. **The current account deficit is expected to remain constant in 2018 compared to 2017. Exports increased during the first half of 2018, driven primarily by wood and diamonds**. However, this solid performance in exports was followed by increased petroleum prices, which drove up the value of imports.

5. **The financial sector is in good shape. Credit to the economy increased by 8.5 percent at end-June 2018 compared to the same period of 2017**. Broad money expanded by 7.3 percent, driven by domestic credit. Based on available data at end-June 2018, the proportion of nonperforming loans declined with respect to 2017, and banks remain reasonably liquid and profitable. Banks are broadly compliant with prudential standards.

PROGRAM IMPLEMENTATION IN 2018

6. **Implementation of the program is broadly satisfactory**. Based on the available data, we met all the quantitative performance criteria at end-June 2018:

- Net domestic financing of the government stood at CFAF 1.5 billion at end-June 2018, for a ceiling of CFAF 8.0 billion.
- The domestic primary fiscal balance stood at CFAF 0.0 billion at end-June 2018, for a floor of -CFAF 10.0 billion.
- Total domestic government revenue stood at CFAF 56.8 billion as at end-June 2018, for a floor of CFAF 53.4 billion.
- Clearance of domestic payment arrears stood at CFAF 19.0 billion at end-June 2018, for a floor of CFAF 14.2 billion.

7. **All the continuous performance criteria were met**. The government did not contract or guarantee any new non-concessional external debt, nor did it accumulate external debt arrears. The government contracted one concessional external loan (grant element of 50.2 percent) of CFAF 7.2 billion, compared to an indicative ceiling of CFAF 9 billion. However, the indicative criterion on exceptional spending procedures was not met (9 percent compared to a ceiling of 5 percent).

8. **We have also implemented all structural benchmarks for end-June 2018, albeit with some delays**. The projections of external debt service and stock are now produced in SYGADE. External audits of the forestry development fund and telecommunications regulatory agency were conducted. The petroleum price structure was streamlined, which will limit the impact of the increase of oil prices on the budget. In addition, all structural benchmarks at end-September 2018 are met. All forestry permits issued prior to June 30, 2018 and mining permits issued since January 1, 2018 were published on the Ministry of Finance and Budget website.

ECONOMIC OUTLOOK AND RISKS

9. **The economic and financial prospects in the medium term is encouraging**:

- We maintain our forecast of 4.3 percent economic growth in 2018 and 5 percent in the medium term. This economic performance will result from the robust recovery of forestry activities and telecommunications, construction activities, externally financed investments, and improved execution of domestically financed investments. With support from the World Bank and other development partners, the government will increase significantly energy supply through two big solar projects, the extension of Boali 2, the reinforcement of transportation lines, the reconstruction of Boali 3 and the hydroelectric development that will start up in 2019. These projects will boost economic activity and help improve the country's business environment. Inflation will be contained at 2.5 percent in the medium term.

- The primary fiscal deficit is projected at 1.4 percent of GDP in 2018 and 1.2 percent of GDP in 2019, in line with the government's commitments under the ECF-supported program.

- The current account deficit would improve in the medium term, in particular with increased forestry and mining exports.

10. **However, these medium-term macroeconomic projections are not without risk. Indeed, a deterioration of the security situation could compromise the government's efforts**. In this regard, we will pursue negotiations with armed groups in the context of the African initiative, and we have elaborated some draft laws on military programming and domestic security forces aiming at reinforcing the redeployment of security forces and the administration throughout the national territory. Higher oil prices could harm economic activity and reduce tax revenue. A delay in the disbursement of external financing would pose a risk to public finances and could have an adverse effect on economic activity.

MACROECONOMIC AND STRUCTURAL POLICIES

11. **In line with the National Recovery and Peacebuilding Plan, we remain determined to pursue policies to maintain macroeconomic stability**, stimulate growth and job creation, and reduce poverty. The achievement of these objectives will require: (i) raising more domestic revenue to widen our fiscal space, (ii) strengthen public spending efficiency through the prioritization of social and infrastructure spending, without compromising the sustainability of public finances, (iii) promoting transparency and strengthening governance, and (iv) improving the business environment to boost private sector development and strengthen external competitiveness.

2019 Budget

12. **The 2019 budget law put particular emphasis to economic and social development**. The challenges to overcome are immense, but our ambitions are limited by resource constraints. To achieve our objectives, we must increase domestic revenue and rigorously control non-priority spending while redoubling budget efforts for the social sectors. Our priorities for 2019 are structured around four key pillars: (i) strengthening peace and security, (ii) consolidating public finances, (iii) good governance, and (iv) social affairs and humanitarian actions. The budget figures are as follows: we commit to limit the domestic primary deficit to 1.2 percent of

GDP. Domestic revenue will reach 10.7 percent of GDP, which is an increase of 1.4 percent with respect to the 2018 revised budget, owing to the transfer of parafiscal taxes into the treasury single account. Primary spending will represent 11.9 percent of GDP, of which 10.2 for current expenditure and 1.7 for capital expenditure.

13. **To achieve the revenue objectives provided in the 2019 budget, we revised the petroleum price structure.** We will revise the reference price of wood following consultations with affected companies and will integrate some parafiscal taxes into the treasury single account. We will also pursue efforts to improve the revenue administration, in particular, fighting fraud and controlling VAT bases and income tax.

14. **In regard to public expenditure, the government will contain the wage bill and increase priority social spending in order to fight poverty**. The ministries of Education (+21.4 percent), and Health (+27.9 percent) will be the main beneficiaries. Transfers will increase by 0.6 percent of GDP due to the inclusion of expenses related to parafiscal agencies for which resources have been transferred into the treasury single account. We also confirm our commitment to limit exceptional spending to less than 5 percent of total expenditure (excluding salaries and debt service).

15. **We recognize the enormous uncertainties surrounding our budget forecast**. There are at least three key risks: (i) lower economic growth limiting the mobilization of tax revenues; (ii) lower-than-expected revenue from the parafiscal taxes integrated into the treasury single account and/or increased budget transfers to public agencies; and (iii) higher-than-expected international oil prices. Accordingly, we are determined to review the budget assumptions during the first semester of 2019 to decide whether revenue should be revised. Under such scenario, we are determined to preserve macroeconomic stability by reducing non-priority spending to achieve our objectives of containing the domestic primary deficit at 1.2 percent of GDP.

16. **Depending on the evolution of oil prices, and in addition to the adoption of the streamlined price structure**, the government will readjust prices at the pump if necessary to limit the impact of higher international oil prices on tax revenues.

Increase Revenue Mobilization

17. **The tax measures introduced in 2018 have produced encouraging outcomes**. The expansion of the 10 percent excise tax on locally-produced beverages and the implementation of the additional specific tax on alcoholic beverages generated tax revenue of CFAF 980.0 million at end-July 2018. Other administrative measures, such as the intensification of tax audits and the recovery of tax arrears, and the creation of the tax arrears collections management and monitoring unit, raised additional revenue estimated at CFAF 4.4 billion at end-September 2018. ASYCUDA has been in operation at the Beloko customs bureau since June 2018. However, we fell behind schedule in meeting several of our commitments to increase revenue: (i) revision of the reference price of wood; (ii) strengthening collaboration between the DGID and DGDDI and

between the DGDDI and BIVAC through monthly meetings and disclosure of the outcomes of these data reconciliations; (iii) the use of the BIVAC certified value as the minimum base for calculation of import taxes and duties; and (iv) the update of the configuration of VAT rates in ASYCUDA.

18. **Strengthening of the tax and customs administrations and more intense customs inspections and tax audits will be pursued**. Regarding the customs administration, all the incorrect VAT rates in the ASYCUDA system identified by the IMF technical assistance missions were corrected in October 2018, and we will scrupulously ensure that the values certified by BIVAC are used as the minimum base for the calculation of import taxes and duties. We are committed to arrange meetings at least once a month to reconcile BIVAC data with that of the customs administration and systematically release the outcomes of those reconciliations [new structural benchmark at end-December 2018]. We will invite the IMF representative office to take part in those meetings and will systematically publish the minutes of the meetings. As for the tax administration, as recommended by the IMF technical assistance missions, we will take steps to ensure that all data from tax declarations are entered in SISTEMIF upon their subscription to strengthen monitoring of reporting obligations and the clearance of tax arrears. We are also determined to step up tax audits and efforts to combat fraud. We commit to conducting annual audits of at least 60 percent of businesses that report VAT credits or declare a net VAT payable of zero.

Rationalize Parafiscal Taxes

19. **The rationalization of parafiscal taxes remains an absolute priority for the government**. The Office of the Inspector General of Finance (IGF) launched the audit of 22 of the 43 entities and agencies to which the taxes are allocated. A draft note from the Council of Ministers has been initiated to eliminate all the 9 non-operational agencies. Of the seven most critical agencies, two (ARCEP ex ART, FDF) have already been audited., The external audits of the remaining five (FNE, ANR, ANAC, CASDTA, SODIAC) will be launched in [November 2018] with support from the French Development Agency (AFD). Government accounting officers were assigned to 20 public entities and agencies which are under audit. To rationalize taxes and organizational units, and in keeping with our commitments, the draft 2019 budget law provides for the elimination of the environmental tax related to the production, manufacturing, and imports of cigarettes, alcohol and non-alcohol beverages in glass and/or plastic and telecommunications, and the electromagnetic pollution. The draft 2019 budget law also provides for the integration of identified parafiscal taxes in the amount of CFAF 10.9 billion in the treasury single account (TSA) in return of transfers to the entities to which those taxes were allocated.

20. **We will finalize the audits of the parafiscal entities and agencies already identified by end-December 2018**, and we confirm our commitment to pursue the elimination of unjustified parafiscal taxes and transfer those that are justified to the TSA (structural benchmark at end-December 2018). We also confirm our commitment not to create new parafiscal taxes.

Rationalize and Strengthen Public Expenditure Management

21. **The government is determined to improve the quality and transparency of the public spending chain**. We finalized and transmitted the management accounts of 2016 and 2017 to the Court of auditors, which will allow upon their approval the establishment of discharge bills for these years. To achieve our objective of limiting exceptional spending to 5 percent total spending, we will regulate the modalities for medical evacuations (structural benchmark, end-March 2019) and will close all cash funds and imprest accounts prior to the end of each fiscal year (structural benchmark, end-December 2018). Also, the budget execution circular for 2019 is ongoing and will be finalized by end-December 2018 (structural benchmark, end-December 2018). The circular will cap the spending amount for imprest accounts. We are committed to decentralizing the payment authorization process in order to reduce delays and improve budget execution. To this end, a ministerial circular on delegation of the spending commitment and validation functions at the ten priority ministries(primary, secondary and technical education, and alphabetization, scientific research and technological innovation, tertiary education, health, humanitarian actions and national reconciliation, promotion of women, family and infant protection, agriculture and rural development, livestock and animal health, development of energy and hydraulic resources, and small and medium enterprises) was adopted in September 2018 and will take effect on January 1, 2019. We will put in place an IT platform to operationalize the deconcentration of the spending commitment process at the sectoral level (structural benchmark at end-December 2018).

22. **We are committed to strengthening the governance and financial oversight of public agencies and state-owned enterprises and the government's holdings in public corporations**. With technical support from the IMF, we are revising the laws and regulations governing the para-public sector [structural benchmark, end-March 2019].

23. **In line with our regional commitments, the organic law relating to finance laws and the law on transparency in public finances management were promulgated**. The implementation of new management principles introduced by the new legal framework requires reorganization of the Ministry of Finances and Budget, which is under way with technical support from the IMF. A draft new ministry organizational structure, which will strengthen financial oversight and monitoring of public entities and SOEs, is being finalized and is expected to be submitted to the Council of Ministers for adoption during the first quarter of 2019. We are also determined to limit the use of direct contracts by revising the public procurement code to strengthen the capacities of priority sector ministries in procurement.

Clear Arrears and Improve Debt Management

24. **The government intends to pursue its strategy of clearing salary and commercial arrears**. The government has taken significant steps to clear all 2003 salary arrears and those of November and December 2002 by the end of 2018. Also, no domestic payment arrears have accumulated since the beginning of 2018. However, there were delays in implementing the domestic arrears clearance strategy adopted in December 2017. Some payments planned in 2018 will be postponed to 2019. In addition, we identified some spending validated but not committed or paid from budget years prior to 2014. Arrears in the deposit account opened until 2016 were also identified. With support from our partners, we will audit those arrears during the fourth quarter of 2018 to evaluate the amounts.

25. **In line with our commitments, we remain determined to control the external public debt**. We have not accumulated any new external debt arrears honoring all external debt service payments falling due since the beginning of 2018. Negotiations with our creditors has produced notable progress. We concluded a new convention with India in August 2018 that extends the term of the debt to 25 years at an interest rate of 1.5 percent and with a five-year grace period. We have cleared all arrears to the International Fund for Agricultural Development (FIDA) and have agreed on the amount of the debt and the terms of repayment. The government is determined to pursue negotiations with the creditors with which conventions have been signed prior to the Heavily Indebted Poor Countries Initiative. We remain determined to mobilize only grants and highly concessional financing within the borrowing limits of the ECF program.

Promote Transparency and Strengthen Good Governance

26. **Public institutions remain weakened by the crises the country has faced in recent years**. The government is committed to fight corruption and improve good governance. To this end, we will propose measures to tighten requirements to declare assets. This will consist of a draft law to clarify the conditions of this obligation to declare and the consequences in case of failure. [We also acknowledge gaps in implementation of the United Nations Convention against Corruption, particularly, in regard to the criminalization of corrupt acts and we are committed to rectify these gaps]. In this regard, we are committed to sanction offenses with respect to accountability and/or integrity as provided by the Law. To deal with the considerable challenges regarding the management of natural resources, we have started the process of resuming membership in the Extractive Industries Transparency Initiative. In addition, we have also published all forestry permits issued through June 30, 2018 on the Ministry of Finance and Budget (MFB) website. We have also instituted the quarterly disclosure of all new mining permits issued since January 1, 2018 on the MFB website. We have submitted all these information to the permanent secretariat for economic and financial reforms of CEMAC (PREF-CEMAC) as per of our regional commitments.

Improve the Business Environment

27. **The business environment faces constraints that hinder private investment by local as well as foreign entrepreneurs**. Those constraints include inadequate electricity supply, high transportation costs due to encirclement and deterioration of road infrastructures, and limited access to credit. Gaps in the legal system pose additional constraints. The government is determined to improve the business environment to promote private sector development. To this end, the law on the investment charter was promulgated in June 2018, and the draft law setting the conditions of public-private partnerships has been sent to the parliament for adoption. Other structural and institutional reforms will be implemented. They will concern the modernization and update of the legal framework for the key economic sectors, notably the revision of the mining code to ensure its compliance with the regional standards on foreign exchange. We also intend to strengthen the Joint Consultation Framework for Business Improvement (CMCAA) to promote and strengthen dialogue between the government and the private sector.

Reduce Poverty and Promote Gender Equality

28. **We pursue the implementation of the National Recovery and Peacebuilding Plan (RCPCA)**. In that context, the significant increase in priority social spending will contribute to reduce poverty. The government also supports women's promotion and equality, in line with the RCPCA objectives and national laws governing gender equality. Women's participation in political and economic affairs is essential to sustainable peace and economic progress. In the medium term, we plan to collect data by gender in order to monitor our commitments and inform the public, in particular through the creation of the national gender observatory.

Financial Sector

29. **The government is determined to promote the development of the financial sector and financial inclusion of the entire population, including the most vulnerable**. To this end, we intend to promote the use of mobile banking services, which could help to compensate the absence of banking service branches in provinces. In addition, the recommendations of the 2017 COBAC mission are being implemented. Bank governance and prudential standards were strengthened, and progress has been made in regard to internal control mechanisms and measures to fight money laundering and terrorism financing. The government intends to closely monitor the implementation of the remaining measures.

CAPACITY BUILDING

30. **Strengthening administrative and technical capacities is key to ensure a successful implementation of our economic program**. To this end, we benefit from sustained technical assistance from our partners to improve revenue mobilization, ensure better cash management, and reinforce the spending chain. We have established a capacity building framework with the

IMF, and the implementation of this program in ongoing. The main priorities are domestic revenue mobilization, the management of public finances, the management of public debt, macroeconomic statistics, and macro-budgetary capacity.

31. **Similar strategies will be defined with the other development partners on their respective fields of intervention. In the same vein, we will strengthen the coordination of partners' support to maximize the benefit from all available technical assistance**. To this end, we have strengthened the entity in charge of monitoring economic and financial reforms and ensuring the coordination of technical assistance and training (CS-REF).

PROGRAM MONITORING

32. **The program will be monitored semi-annually by the IMF Executive Board**. Performance criteria at end-December 2018 are maintained, and indicative criteria for March 2019 are proposed, reflecting the 2019 macroeconomic outlook and budget. The end-December 2018 performance criteria will be assessed as part of the sixth review in the first half of 2019.

33. We propose new structural benchmarks for end-December 2018, including:

- Publish the outcomes of the reconciliation between customs and BIVAC data (structural benchmark at end-December 2018)

- Set up a IT platform at the General directorate of budget to operationalize the deconcentration of the spending commitment process (structural benchmark at end-December 2018)

34. **Exchange restrictions:** Throughout the duration of the program, we are committed to not impose or expand restrictions on payments and transfers on current international transactions, or to resort to multiple currency practices, to conclude bilateral agreements that do not comply with Article VIII of the IMF's Articles of Agreement, or impose or expand restrictions to influence the balance of payments. In addition, the authorities commit to adopt, in consultation with IMF staff, any new financial or structural measures that may be necessary to ensure the success of the program.

Table 1. Central African Republic: Performance Criteria (PC) and Indicative Targets, 2017–19

(CFAF billions)

	End-December 2017				End-March 2018			End-June 2018			End-September 2018			End-December 2018	End-March 2019
	PC	Adjusted PC [6]	Actual	Status	Indicative Target	Actual	Status	PC	Actual	Status	Indicative Target	Actual	Status	PC	Indicative Target
Quantitative performance criteria															
Domestic government financing (ceiling, cumulative flows for the year)	-5.3	2.2	-16.4	Met	15.1	15.0	Met	8.0	1.5	Met	17.9			14.0	16.0
Domestic revenue (floor, cumulative for the year) [1]	102.0	102.0	93.4	Not met	27.9	28.6	Met	53.4	56.8	Met	82.1	83.4	Met	112.0	34.0
Domestic primary deficit (ceiling, cumulative for the year) [2]	-21.9	-29.4	-24.7	Met	-5.0	2.4	Met	-10.0	0.0	Met	-15.0	-11.9	Met	-18.0	-5.0
Reduction in domestic payments arrears (floor, cumulative for the year)	-7.5	-7.5	-9.0	Met	-7.1	-15.3	Met	-14.2	-19.0	Met	-21.5	-24.1	Met	-30.0	-7.5
Continuous performance criteria															
Contracting or guaranteeing of new external non concessional debt (ceiling) [3,4]	0.0	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
Non accumulation of external payments arrears (ceiling, cumulative for the year) [3,4]	0.0	0.0	0.0	Met	0.0	0.0	Not Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
Indicative targets															
Social spending (floor, cumulative for the year) [5]	6.0	6.0	13.9	Met	3.0	3.6	Met	9.0	12.5	Met	16.0	28.5	Met	24.0	10.0
Spending through extraordinary procedures (ceiling, cumulative for the year)					1.0	1.6	Not met	1.8	4.7	Not Met	2.6			3.4	1.2
Memorandum item:															
New concessional/external debt contracted or guaranteed by the government	8.8	8.8	8.8	Met	9.0	0.0	Met	9.0	7.2	Met	9.0	7.2	Met	9.0	6.0

Sources: C.A.R. authorities and IMF staff estimates.

[1] Domestic revenue, which excludes foreign grants and divestiture receipts (see the TMU for more details).

[2] The domestic primary balance is defined as the difference between government domestic revenue and government total expenditure, less all interest payments and externally-financed capital expenditure.

[3] These objectives will be monitored continuously.

[4] Contracted or guaranteed by the government (see the TMU).

[5] Social spending is defined as public non-wage spending on primary and secondary eduction, health, social action, water and sanitation, microfinance, agriculture and rural development (see TMU).

[6] Adjusted for other than programmed budget support (see the TMU).

Table 2. Central African Republic: Structural Benchmarks, 2017–19

Measures	Timeline	Macroeconomic Rationale	Status	Comment
Quarterly publication of budget execution reports within 30 days from the end of the quarter	Quarterly, from end September	Improve transparency and accountability	Met	
Adoption of an action plan to eliminate unjustified para-fiscal taxes and transfer of other revenues to the Single Treasury Account	End December 2017	Improve transparency and revenue collection	Met	
Full utilization of ASYCUDA at customs in Beloko	End December 2017	Improve transparency and revenue collection	Not Met	Completed in July 2018.
The publication of all existing tax exemptions	End December 2017	Improve transparency and accountability	Not Met	Completed in February 2018.
Publication of all laws or decrees creating the 54 structures that were identified to collect para-fiscal taxes	End March 2018	Improve transparency and revenue collection	Not met	Completed in May 2018.
Completion of an external audit of the forestry fund and the telecommunications regulations agency	End June 2018	Improve transparency and revenue collection	Not met	Completed in October 2018.
Publish projections for monthly external debt service payments and the external debt stock from June 2018 to May 2019 generated by Sygade	End June 2018	Strengthen debt management	Met	
Revision of the price structure of petroleum products at the pump	End June 2018	Improve transparency and revenue collection	Not met	Completed in November 2018.
Publish all forestry permits issued before June 30, 2018 on a government website, notably on the Ministry of Finance and Budget website	End September 2018	Improve transparency in the management of natural resources and the business environment	Met	
From September 30, 2018, publish quarterly all new mining permits issued since January 1, 2018 on a government website, notably on the Ministry of Finance and Budget website	Quarterly, from end September 2018	Improve transparency in the management of natural resources and the business environment	Met	
Removal of all identified parafiscal taxes without economic justification	End December 2018	Improve transparency and revenue collection		
Close systematically all cash fund agencies on December 31, 2018	End December 2018	Strengthen the efficiency of public spending		
Establish budget execution circular from LF 2019	End December 2018	Rationalize public spending execution procedures		
Revise legislation governing public agencies to strengthen financial oversight	End March 2019	Strengthen the efficiency of public spending		
Establish inter-ministerial decree laying down the conditions and terms of medical evacuations	End March 2019	Strengthen the efficiency of public spending		
Proposed new measures				
Publication of the results of monthly meetings between customs and the pre-inspection company to reconcile valuations	End December 2018	Improve transparency and revenue collection		
Set up a IT platform at the Ministry of Finance to operationalize the deconcentration of the spending process	End December 2018	Strengthen the efficiency of public spending		

Attachment II. Technical Memorandum of Understanding 2018

INTRODUCTION

1. **This Technical Memorandum of Understanding (TMU) spells out the concepts, definitions, and data reporting procedures mentioned in the Memorandum of Economic and Financial Policies (MEFP)** prepared by C.A.R.'s authorities. More, specifically, it describes:

- data reporting periodicity and timeframes;
- definitions and computation methods;
- quantitative targets;
- adjusters of quantitative targets;
- structural benchmarks; and
- other commitments made within the MEFP.

2. **Unless otherwise specified,** all performance criteria and indicative targets are assessed on a cumulative basis as of January 1 of the same year.

A. Program Assumptions

3. **Exchange rate**. For the purposes of this TMU, the value of transactions denominated in foreign currencies will be converted into Cooperation Financiere Africaine Francs (CFAF), the currency of the C.A.R., on the basis of the exchange rates used to prepare the ECF. The key exchange rates are shown below.

CFAF/US$: 585

CFAF/Euro: 656

CFAF/SDR: 815

B. Definitions

4. **Unless otherwise specified, the government is defined as the central government of C.A.R. and does not include any local governments**, the central bank, or any public entity with separate legal personality (i.e., enterprises wholly or partially owned by the government) that are not included in the government financial operations table(*Tableau des operations financières de l'État*—TOFE).

5. **Definition of debt**. The definition of debt is set out in point 8 of Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended on December 5, 2014, by Executive Board Decision No. 15688-(14/107):

(a) **"Debt"** is defined as a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. leases, i.e., arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property.

(b) Under the **definition of debt** set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

(c) **External debt** is defined as debt borrowed or serviced in a currency other than the CFA Franc of the Financial Cooperation of Africa (CFAF).

(d) **Domestic debt** is defined as debt borrowed or serviced in the CFA Franc of the Financial Cooperation of Africa (CFAF).

6. **Guaranteed debt.** The guaranteeing of a debt by the government is understood to be an explicit legal obligation to service a debt in the event of nonpayment by the borrower (by means of settlements in cash or in kind).

7. **Concessional debt.** A debt is considered concessional if its grant element is at least 50 percent. The grant element is the difference between the nominal value of the loan and its present value, expressed as a percentage of the nominal value. The present value of the debt at the date on which it is contracted is calculated by discounting the debt service payments at the time of the contracting of the debt. The discount rate used for this purpose is 5 percent.

8. **Total government revenue** is tax and non-tax revenue or other revenue (as defined in *GFSM 2001*, Chapter 5) and is recorded on a cash basis. Proceeds from taxation on contracts, asset sales, revenue from privatization or from the granting or renewal of licenses, and placement proceeds on government assets and grants are not considered government revenue for the purposes of the program.

9. **Total government expenditure** is understood to be the sum of expenditure on wages and salaries of government employees, goods and services, transfers (including subsidies, grants, social benefits, and other expenses), interest payments, and capital expenditure. All these categories are recorded on a commitment basis, unless otherwise stated. Total government expenditure also includes expenditure executed before payment authorization (*dépenses avant ordonnancement—DAO*) and not yet regularized.

10. **Wages and salaries** correspond to the compensation of government employees as described in paragraphs 6.8–6.18 of *GFSM 2001*, namely, all employees (permanent and temporary), including civil servants and members of the armed and security forces. Compensation is defined as the sum of wages and salaries, allowances, bonuses, pension fund contributions on behalf of civil servants, and any other form of monetary or non-monetary payment.

11. **For the purposes of this memorandum, the term of arrears** is defined as any debt obligation (as defined in paragraph 5 above) that has not been amortized in conformity with the conditions specified in the pertinent contract establishing them.

12. **Domestic payment arrears** are the sum of: (i) payment arrears on expenditure; and (ii) payment arrears on domestic debt.

- **Payment arrears on expenditures** are defined as all payment orders to the Treasury created by the entity responsible for authorizing expenditure payments but not yet paid 90 days after authorization to pay given by the treasury. Expenditure payment arrears so defined are part of "balance payable" (or "amounts due"). Balance payable corresponds to government unpaid financial obligations and include the domestic floating debt besides the expenditure arrears. They are defined as expenditure incurred, validated and certified by the financial controller and authorized by the public Treasury but which have not been paid yet. These obligations include bills payable but not paid to public and private companies, but do not include domestic debt financing (principal plus interest). For the program target, domestic payment arrears are "balances payables" whose maturity goes beyond the 90-day regulatory deadline, while floating debt represents "balances payable" whose maturity does not go beyond the 90-day deadline.

- **Payment arrears on domestic debt** are defined as the difference between the amount required to be paid under the contract or legal document and the amount actually paid after the payment deadline specified in the pertinent contract.

13. **External payment arrears** are defined as arrears on external debt obligations. They are the difference between the amount required to be paid under the contract or legal document and the amount actually paid after the payment deadline specified in the pertinent contract. An obligation that has not been paid within 30 days after falling due is considered an external payments arrear.

C. Quantitative Targets

14. The **quantitative targets (QTs)** listed below are those specified in Table 1 of the MEFP. Adjusters of the quantitative targets are specified in Section D.

Ceiling on domestic financing of the State budget

- **Domestic public financing to the government** is defined as the sum of the (i) the bank credit to the government, defined below; and (ii) non-bank financing to the government, including proceeds from the sale of government assets, which includes proceeds from the divestiture of parts of public enterprises, that is, privatizations, Treasury bills, and other securitized obligations issued by the government and denominated in CFA Francs on the CEMAC regional financial market, and any Bank of Central African States (BEAC) credit to the government, including any drawings on the CFA Franc counterpart of the allocation of Special Drawing Rights (SDRs).

- **Bank credit to the government** is defined as the balance between the debts and claims of the government vis-à-vis the central bank, excluding the use of IMF credit, and the national commercial banks. The scope of credit to the government is that used by the BEAC and is in keeping with general IMF practice in this area. It implies a definition of government that is broader than the one indicated in paragraph 3. Government claims include the CFA Franc cash balance, postal checking accounts, subordinated debt (*obligations cautionnées*), and all deposits with the BEAC and commercial banks of government owned entities, with the exception of industrial or commercial public agencies (*établissements publics à caractère industriel et commercial—EPICs*) and government corporations, which are excluded from the calculation. Government debt to the banking system includes all debt to the central bank and the national commercial banks, including Treasury bills and other securitized debt.

Floor for Total Domestic Government Revenue

- **Domestic government revenue:** only cash revenues (tax and non-tax revenue) will be taken into account for the TOFE.

Floor for Government Social Spending

- **Poverty-reducing social spending** comprises public non-wage spending on national education (primary, secondary and tertiary education), health, social action (promotion of women, family and humanitarian actions), water and sanitation, microfinance (SME – SMI), agriculture, livestock, and rural development. Its execution is monitored on a payment-order basis during the program.

Ceiling on Domestic Primary Deficit

- **The domestic primary fiscal balance** (cash basis) is defined as the difference between government domestic revenue and government expenditure, less all interest payments and externally financed capital expenditure. Payments on arrears are not included in the calculation of the domestic primary balance.

Floor on Reduction of Domestic Payments Arrears

- The government undertakes to settle some priority arrears that were validated.

Ceiling on Contracting or Guaranteeing of New External Non-Concessional Debt

- **The government undertakes not to contract or guarantee non-concessional debt**. Loans for financing projects must not exacerbate debt vulnerabilities according to the debt sustainability analysis prepared jointly by the staff of the WB and the IMF. Financing from the IMF is excluded from this criterion.

Non-Accumulation of New External Payment Arrears by the Government

External payment arrears are defined in paragraph 13.

- **The government undertakes not to accumulate external payment arrears,** with the exception of arrears relating to debt that is the subject of renegotiation or rescheduling. This quantitative performance criterion applies on a continuous basis. For the purposes of this performance criterion, an obligation that has not been paid within 30 days after falling due is considered an external payments arrear. This quantitative performance criterion will apply on a continuing basis.

Limitation of Spending Through Extraordinary Procedures to 5 percent of Expenditure (Non-Salary or Debt Service)

- In addition to measures taken in 2018, all necessary provisions will be taken in the 2019 Budget Law and the total of all expenditure following extraordinary disbursement procedures (exceptional procedures, cash operations, etc.,) will not exceed 5 percent of total expenditure on non-salary spending or debt service (principal and interests) on average per quarter. Observation of this indicative target is assessed quarterly since March 2018.

D. Adjusters of Quantitative Targets

15. To take into account the factors or changes that are essentially outside the government's performance, **various quantitative targets for 2017 and beyond** will be adjusted as follows:

a. If the total revenue from privatization or renewal of telecommunication licenses or forestry or oil licenses is greater than the amount programmed, the following adjustments will be made:

i. The floor for the primary budget balance can be adjusted downward by 50 percent of these additional receipts;

ii. The ceiling on net domestic financing of the government will be adjusted downward by the remained of the additional receipts.

b. If the total budget support is below the programmed amount, the following adjustments will be made:

i. The ceiling on net domestic financing of the government will be adjusted upward by 50 percent of disbursements programmed but not made;

ii. The floor for the primary budget balance will be adjusted downward by 50 percent of disbursements programmed but not made.

c. If the total budget support is above the programmed amount, the following adjustments can be made:

i. The ceiling on net domestic financing of the government will be adjusted downward by 50 percent of disbursements above the programmed amounts;

ii. The floor for the primary budget balance will be adjusted upward by 50 percent of disbursements above the programmed amounts.

E. Structural Benchmarks

The Production of the Revenue and Expenditure Account for 2016

- The revenue and expenditure account for 2016 will have to be prepared and published by end of September 2017.

The Publication of all Existing Tax Exemptions

- All existing tax exemptions, both statutory and discretionary, should be identified and made public by the end of December 2017, for purposes of transparency, in order to reduce the scale of tax exemptions.

Retrospective Control of Customs Values Set from January 1, 2016 to May 31, 2017

- By end of September 2017, all values of imported goods set for the period January 1, 2016 to May 31, 2017 will have to be checked for compliance with the minimum values determined by the pre-inspection company and, if need be, impose the specified customs clearance tariffs and related penalties, to ensure the regularity of customs clearance operations.

Produce a Quarterly Budget Execution Report within 30 days of the end of the Quarter

- A quarterly budget execution report will be produced as from the end of September 2017, and thereafter every quarter within 30 days of the end of the quarter. The first report will cover the second quarter of 2017.

Adoption of an Action Plan to Eliminate Unjustified Parafiscal Fees and Transfer their Proceeds to the Treasury Single Account

- On the basis of an inventory of all parafiscal charges to be drawn up, an action plan will be adopted before the end of December 2017 with a view to eliminating all illegal and unjustified parafiscal charges. The plan will be accompanied by an instruction to transfer the proceeds of the parafiscal taxes collected to the treasury single account.

Full Utilization of ASYCUDA at the Beloko Customs Post

- The main customs office in Beloko will be equipped with all facilities for ASYCUDA operation and data transmission, and all ASYCUDA modules will be fully deployed by end-December 2017.

Completion of an External Audit on the Forestry Fund and the Telecommunications Regulatory Agency

- The forestry fund and the telecommunications regulatory agency should be audited by end-June 2018, in order to analyze the nature and use of the taxation and resources allocated to these entities.

Publication of Monthly Public Debt Service Projections

- Monthly estimates of the public debt service, and the debt stock for the period running from June 2018 to end-May 2019, generated directly from the SYGADE system will be published by the end of June 2018, so as to pursue efforts to strengthen debt management.

Revision of the Petroleum Price Structure

- Petroleum price structure will be revised by the end of June 2018, with the view to its simplification.

Elimination of Parafiscal Taxes Considered to have no Economic Justification.

- Based on the results of the inventory of parafiscal taxes, those with no economic justification must be eliminated before the end of December 2018.

Publication of all Forestry Permits on a Government Website, Notably on the Ministry of Finance and Budget Website

- All forestry permits that have been issued by June 30, 2018 will be published on a government website by September 30, 2018

Quarterly Publication of all Mining Permits on a Government Website, Notably on the Ministry of Finance and Budget Website

- All new mining permits that have been issued since January 1, 2018 will be published on a government website, starting from September 30, 2018

Closure of all Cash Funds and Imprest Accounts at end December 2018

- All cash funds and imprest accounts will be closed at December 31, 2018

Implementation of a Budget Execution Circular Starting from the Budget Law 2019

- To streamline public expenditure execution procedures, we will introduce a budget execution circular starting from the LF 2019 by end December 2018.

Revision of the Legislation on Public Agencies

- The February 13, 2008 law -08-011- governing the institutional framework of public agencies will be revised by end March 2019

Elaboration of an Inter-Ministerial Decree Establishing the Conditions and Modalities for Medical Evacuations by end-March 2019

- An inter-ministerial decree establishing the conditions and modalities for medical evacuations will be elaborated by end March 2019.

New Measures

Set up an IT Platform at the General Directorate of Budget by end-December 2018

- In order to operationalize the deconcentration of the spending commitment process, an IT platform will be set up at the general directorate of budget by end-December 2018.

Publish the Outcomes of the Customs and BIVAC Data Reconciliation at end-December 2018

- The outcomes of the customs and BIVAC data reconciliation exercise will be published on the Ministry of finances and budget website at end-December 2018 after the meeting between the two entities, which should be held within two weeks of the end of the month.

Reporting to the IMF

16. **Quantitative data on the government's indicative targets will be reported to IMF staff according to the periodicity described in Table III.1**. Moreover, all data revisions will be promptly communicated. The authorities undertake to consult Fund staff regarding any and all information or data not specifically addressed in this TMU but which is necessary for program implementation, and inform Fund staff whether the program objectives have been reached.

Table 1. Central African Republic: Reporting to the IMF as Part of Financing Under the ECF Arrangement	
Description of data	Deadline
Bi-annual report evaluating quantitative indicators and structural measures (tables 1 and 2 of MEFP), with supporting documents	Within four weeks of the end of each quarter.
Monetary position, monthly central bank and commercial bank accounts	Within four weeks of the end of each month.
Monthly cash flow operations table	Within ten days of the end of each month.
Government financial operations table	Within four weeks of the end of each month.
Total monthly amount of domestic payment arrears on goods and services and on wages, including unpaid pensions and bonuses	Within four weeks of the end of each month.
External debt stock at end of period	Within four weeks of the end of each month.
Breakdown of expenditures listed in TOFE (goods and services, wages, interest, etc.)	Within four weeks of the end of each month.
Summary table of actual expenditures in priority areas, such as health, education, and security	Within four weeks of the end of each quarter.
Breakdown of current expenditure and capital disbursements, financed with own and external resources	Within four weeks of the end of each quarter.
Breakdown of revenues by institution and economic classification	Within four weeks of the end of each quarter.
Revenues and expenditures recognized against one another without a cash settlement (by expenditure and revenue type)	Within four weeks of the end of each quarter.
Breakdown of debt service and external arrears, particularly by interest and principal, and by main creditor	Within four weeks of the end of each month.
Amount of new non-concessional and concessional external debt contracted by the government	Within four weeks of the end of each month.
Actual disbursements for projects and programs receiving foreign financial assistance and relief of external debt granted by external creditors (including the date, amount, and creditor)	Within four weeks of the end of each month.

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

December 6, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW—INFORMATIONAL ANNEX

Prepared By: The African Department (in consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of October 31, 2018)

Membership Status: Joined: 07/10/1963. C.A.R. is an Article VIII member of the Fund.

General Resources Account:	SDR million	% Quota
Quota	111.40	100.00
IMF's Holdings of Currency (Holdings Rate)	110.89	99.55
Reserve Tranche Position	0.52	0.46

SDR Department:	SDR million	% Allocation
Net cumulative allocation	53.37	100.00
Holdings	0.56	1.05

Outstanding Purchases and Loans:	SDR million	% Quota
RCF Loans	22.28	20.00
ECF Arrangements	103.91	93.28

Latest Financial Arrangements:

Type	Arrangement Date	Expiration Date	Amount Approved (SDR millions)	Amount Drawn (SDR millions)
ECF	Jul. 20, 2016	Jul. 19, 2019	133.68	65.16
ECF	Jun. 25, 2012	May 01, 2014	41.78	6.96
ECF (formerly PRGF)	Dec. 22, 2006	Sep. 02, 2010	69.62	69.62

Projected Payments to Fund:

(SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2018	2019	2020	2021	2022
Principal	1.73	9.10	5.35	5.85	10.86
Charges/Interest	0.13	0.54	0.55	0.54	0.54
Total	1.86	9.65	5.90	6.39	11.40

Implementation of HIPC Initiative:

	Enhanced Framework
I. Commitment of HIPC Assistance	
Decision point date	September 2007
Assistance committed by all creditors (US$ million)[26]	578.00
Of which: IMF Assistance (US$ million)	26.77
(SDR equivalent in millions)	17.19
Completion point date	June 2009

II. Disbursement of IMF Assistance (SDR million)	
Assistance disbursed to the member	17.19
Interim assistance	6.59
Completion point balance	10.60
Additional disbursement of interest income[27]	0.90
Total disbursements	18.09

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million)[28]	4.02
Financed by: MDRI Trust	1.90
Remaining HIPC resources	2.13

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	GRA	PRGF	Total
July 2009	N/A	4.02	4.02

Implementation of Catastrophe Containment and Relief (CCR): Not applicable

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Safeguards Assessments

The Bank of the Central African State (BEAC) is the regional central bank of the Central African Economic and Monetary Community (CEMAC). A full safeguards assessment (SA) under the periodic four-year cycle for regional central banks was completed in August 2017. The BEAC continues to implement the remaining recommendations of the 2017 safeguards assessment.

[26] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence, these two amounts cannot be added.
[27] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.
[28] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

BEAC's full transition to IFRS is progressing broadly as planned, and steps are being taken to accelerate the adoption of revisions to the secondary legal instruments to align these with the BEAC Charter, in consultation with IMF staff.

Exchange Rate Arrangement

The de jure exchange rate of the Central African Monetary Union (CAMU) is a conventional peg. C.A.R. participates in the CAMU and has no separate legal tender. C.A.R.'s currency is the CFA Franc which, since January 1, 1999, is pegged to the euro at the rate of EUR 1 = CFAF 655.957. C.A.R. maintains an exchange system that is free from restrictions and multiple currency practices on payments and transfers for current international transactions.

Article IV Consultations

The C.A.R. is currently on the standard 24-month cycle for Article IV consultations for program countries. The last Article IV consultation was concluded on July 20, 2016.

Resident Representative

Olivier Benon since September 2016

Table 1. Central African Republic: Fund Technical Assistance

Date	Department	Purpose
Jan. 2011	AFRITAC	Public Accounting Plan
Feb. 2011	AFRITAC	Tax Administration
Mar. 2011	AFRITAC/STA	Balance of payments statistics
March/June/Oct. 2011	AFRITAC	National accounts statistics
Apr. 2011	AFRITAC	Customs administration
June 2011	AFRITAC	Treasury management
Sept. 2011	AFRITAC/STA	Assist with implementation
Oct. 2011	AFRITAC	Customs administration
Jan. 2012	AFRITAC/FAD	Tax administration
Feb. 2012	AFRITAC/FAD	Stocktaking
March 2012	AFRITAC/STA	National accounts statistics
April 2012	AFRITAC/FAD	Tax administration
May 2012	AFRITAC/FAD	Public financial management
May 2012	AFRITAC/STA	National accounts statistics
June 2012	AFRITAC/FAD	Improving VAT administration
July 20212	AFRITAC/FAD	Public financial management
Sept. 2012	AFRITAC/STA	National accounts statistics
Oct. 2012	AFRITAC/FAD	Tax Administration
Oct. 2012	FAD	Tax policy
Oct. 2012	FAD	Training strategy
Oct. 2012	FAD	Customs administration
Dec. 2012	AFRITAC	National accounts statistics
Nov. 2014	AFRITAC/FAD	Public financial management
Jan. 2015	FAD	Customs administration
March 2015	AFRITAC/STA	National accounts statistics
Aug. - Sept. 2015	AFRITAC/MCM	Public debt management
March 2016	AFRITAC/FAD	Tax Administration
March 2016	FAD	Capacity development
March 2016	STA	National accounts statistics
Sept. 2016	AFC	Tax Administration
Sept. 2016	AFC	Tax Administration
Oct. 2016	FAD	Revenue administration
Nov. 2016	FAD	Revenue administration
Nov. 2016	FAD	Revenue administration
Dec. 2016	AFC	Government Finance Statistics

Table 1. Central African Republic: Fund Technical Assistance (continued)

Date	Department	Purpose
Jan. 2017	FAD	Tax policy
Jan. 2017	AFRITAC/FAD	Revenue administration
Jan. 2017	STA	Balance of payments statistics
Feb. 2017	FAD	Tax administration
Feb. 2017	FAD	Customs administration
Feb. 2017	AFRITAC/FAD	Revenue administration
Feb. 2017	AFRITAC/MCM	Debt management
Feb. 2017	AFRITAC/STA	Government finance statistics
March 2017	AFRITAC/FAD	Revenue administration
March 2017	FAD	Public finance management
March 2017	AFRITAC/FAD	Public finance management
March 2017	AFRITAC/MCM	Debt management
March 2017	AFRITAC/STA	National accounts
May 2017	AFRITAC/FAD	Revenue administration
May 2017	AFRITAC/STA	National accounts
June 2017	AFRITAC/STA	Government finance statistics
Sept. 2017	AFRITAC/STA	National Accounts
Sept. 2017	FAD	Revenue administration
Oct. 2017	AFRITAC/MCM	Debt management
Nov. 2017	FAD	Revenue administration
Dec. 2017	FAD	Tax Policy
Dec. 2017	AFRITAC/FAD	Customs administration
Dec. 2017	AFRITAC/FAD	Public finance management
Jan 2018	AFRITAC/FAD	Revenue administration
Jan 2018	AFRITAC/MCM	Debt Management
Jan 2018	STA	Balance of payments statistics
March 2018	FAD	Revenue administration
March 2018	FAD	Public financial management
April 2018	FAD	Tax administration
April 2018	AFRITAC/STA	National accounts
April 2018	AFRITAC/STA	Government finance statistics - Regional Seminar
June 2018	AFRITAC/STA	Government finance statistics (external location)
Aug. 2018	FAD	Tax policy
Sept. 2018	AFRITAC/STA	National Accounts
Sept. 2018	FAD	Revenue administration
Sept. 2018	FAD	Public financial management
Oct. 2018	AFRITAC/MCM	Debt management
Oct. 2018	AFRITAC/FAD	Public financial management
Nov. 2018	AFRITAC/FAD	Revenue administration
Nov. 2018	AFRITAC/FAD	Public financial management
Dec. 2018	AFRITAC/FAD	Public financial management

WORK PROGRAM WITH PARTNER INSTITUTION

The Fund and partner institutions collaborate closely. Staff from the World Bank and other development institutions regularly participate in IMF missions. The World Bank's analysis and advice on structural reforms and reducing poverty informs the Fund's recommendations. The Fund coordinates its capacity building and technical assistance with development partners and there are regular meetings in Bangui. The World Bank and the Fund participate in monthly meetings of the treasury committee.

The World Bank work program can be found on the following website:

http://www.worldbank.org/en/country/centralafricanrepublic

The African Development Bank work program can be found on the following website:

https://www.afdb.org/en/countries/central-africa/central-african-republic/

STATISTICAL ISSUES

I. Assessment of Data Adequacy for Surveillance

General: Data provision has short-comings but, is broadly adequate for surveillance. Issues with source data and compilation affect most data sets. The ongoing capacity development strategy aims to produce more accurate statistics on prices, national accounts, government finance statistics, and the external sector.

National Accounts: The level and growth rate of real GDP are uncertain. GDP estimates are available for 2005–08 and 2012 only, with 2005 as base year. Estimates for informal sector activity are still based on a 1982 survey. STA/AFC is providing technical assistance to produce national accounts data, but progress is hampered by low capacity and a weak statistical system. An improved compilation of the national accounts since 2005, in line with the 1993 SNA, and their dissemination is an objective of the ongoing capacity development strategy.

Price statistics: The measurement of inflation is limited to the capital Bangui and subject to a high degree of uncertainty. The CPI is based on expenditure weights that are forty years old. The ongoing strategy aims to improve the price collection and update the CPI.

Government finance statistics: Data provision is broadly satisfactory for surveillance purposes, although coverage is not complete. Budget accounting and Treasury procedures, and domestic debt statistics, continue to suffer from serious shortcomings, delays and omissions. General government statistics are not available. AFRITAC Central is working to achieve progress on these issues in the short-term as well as assisting the authorities to move toward the harmonized CEMAC TOFE based on *GFSM 2001* in the medium and long term.

Monetary statistics: Data provision is broadly satisfactory for surveillance purposes. Monetary statistics for the central bank and other depository corporations are compiled monthly in the format of standardized report forms (SRFs) and reported to STA by the BEAC with an average time lag of three months.

Financial sector surveillance: In March 2016, Central African Republic began reporting financial soundness indicators for deposit taking institutions to STA.

External sector statistics: Central African Republic does not report external sector statistics to STA for publication in the Balance of Payments and International Investment Position Statistics Yearbook (BOPSY) and International Financial Statistics (IFS). IIP data is not provided due to a lack of capacity. A three-year Japan Administered Account for Selected Activities (JSA) funded Project is underway to strengthen the development and dissemination of external sector statistics according to the sixth edition of Balance of Payments and International Investment Position Manual (BPM6).

II. Data Standards and Quality

The country participates in the Enhanced General Data Dissemination Standard (e-GDDS) but has no operational National Summary Data Page for the dissemination of its macroeconomic and financial data. However, most of its metadata with the exception of the real sector and socio-demographic metadata, have not been updated since 2004. There are no Data ROSC.

Table 1. Central African Republic: Common Indicators Required for Surveillance
(As of November 2018)

	Date of latest observation	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]
Exchange Rates	Current	Current	D	D	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	September 2018	November 2018	M	M	M
Reserve/Base Money	September 2018	November 2018	M	M	M
Broad Money	September 2018	November 2018	M	M	M
Central Bank Balance Sheet	September 2018	November 2018	M	M	M
Consolidated Balance Sheet of the Banking System	March 2018	May 2018	M	M	M
Interest Rates[2]	March 2018	May 2018	M	M	M
Consumer Price Index	March 2018	May 2018	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	March 2018	May 2018	M	I	A
Stocks of Central Government and Central Government-Guaranteed Debt[5]	March 2018	May 2018	M	I	M
External Current Account Balance	2017	May 2018	A	A	A
Exports and Imports of Goods and Services	2017	May 2018	A	A	A
GDP/GNP	2017	May 2018	A	A	A
Gross External Debt	2017		A	I	A
International Investment Position[6]	N/A	N/A	N/A	N/A	N/A

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.
[7] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

December 13, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION

Prepared By | The African Department

- **This supplement provides staff's assessment of the ability of the Fund to provide financing to the Central African Republic (C.A.R.) notwithstanding official bilateral external arrears to Libya.** It does not alter staff's assessment of policy issues and recommendations contained in the report.

- **Staff has not yet received consent from the Libyan authorities regarding the provision of Fund financing to the Central African Republic, but staff assesses that the Fund can nevertheless provide financing to the C.A.R..** Under the Fund's lending-into-official-arrears (LIOA) policy, in the absence of creditor consent, the Fund can only lend into official bilateral arrears under carefully circumscribed circumstances. In the case of the arrears of the Central African Republic to Libya, staff assesses that these circumstances are met. Specifically, since the arrears are related to official sector involvement under a non-representative Paris Club agreement, staff had to assess whether a set of three criteria is met. Staff's detailed assessment is provided as part of this supplement which will be added to the staff report. Staff continues to recommend completion of the Fifth Review under the Extended Credit Facility arrangement notwithstanding official bilateral arrears to Libya.

ANNEX

Box 1. Lending into Arrears to Official Bilateral Creditors

Staff assesses that the conditions are met for the Fund to provide financing to C.A.R. in line with the policy on arrears to official bilateral creditors, notwithstanding its outstanding arrears to Libya. In particular:

Prompt financial support from the Fund is considered essential and the member is pursuing appropriate policies. C.A.R. continues to face significant macroeconomic challenges and deep-seated structural rigidities hindering growth. Financial support from the Fund is considered essential to allow for orderly adjustment by covering the protracted balance of payment need, catalyzing external support, and supporting the successful implementation of C.A.R.'s program. C.A.R.'s policies in the context of the ECF-supported program covering 2016–19 is helping restore macroeconomic stability and external viability through fiscal and structural reforms, notably by mobilizing domestic revenue, enhancing the efficiency of spending, restoring and building basic infrastructure and utilities, and improving the business environment.

The debtor is making *good faith efforts* to reach agreement with the creditor on a contribution consistent with the parameters of the Fund-supported program:

> *In terms of process,* the C.A.R. authorities have contacted the Libyan authorities bilaterally through letters, following the 2009 HIPC agreement, offering to engage in substantive dialogue and start a collaborative process on resolving the outstanding arrears. Relevant information has been shared with the Libyan authorities on a timely basis. The C.A.R. authorities are committed to continue making their good faith efforts until all the remaining arrears are resolved. Staff understands that further discussions between C.A.R. and Libya are scheduled for early 2019.
>
> *The terms offered* by the C.A.R. authorities to the Libyan authorities are in line with the financing and debt objectives of the Fund-supported program and would not result in financing contributions that exceed the requirements of the Fund supported program. The terms offered imply a contribution that is not disproportionate relative to those sought from other official bilateral creditors at the time of the HIPC operation. Indeed, the authorities are seeking from Libya exactly comparable HIPC terms of 94 percent debt cancellation.

The decision to provide financing despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases. The contribution sought from Libya did not account for the majority of financing contributions required from official bilateral creditors in the context of the HPIC operation. Libya does not appear to have a strong track record of providing contributions in the context of Fund-supported programs (having undertaken only 5 HIPC restructurings out of its total 18 Completion Point debtors). Therefore, in staff's view, providing financing to C.A.R. despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize future financing packages, given strong support from the international community in the context of the Fund-supported program for C.A.R. and the C.A.R. authorities' efforts to resolve this in a timely manner.

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

December 17, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, AND FINANCING ASSURANCES REVIEW—FURTHER SUPPLEMENTARY INFORMATION

Prepared By | The African Department

- **This supplement reports on information that has become available since EBS/18/120, Supplement 2 was circulated to the Executive Board on December 13.** Staff has subsequently learnt that the Libyan authorities have indicated that they consent to the provision of Fund financing to the Central African Republic (C.A.R.), notwithstanding official arrears owed by the C.A.R. to Libya.

- **Consent by the Libyan authorities under the Fund's Lending into Official Arrears ("LIOA") policy means that the assessment proposed in EBS/18/120, Supplement 2 is no longer necessary.** Given that the creditor member has now consented to the provision of Fund financing notwithstanding arrears, under the LIOA policy, this consent is sufficient for the Fund to proceed to provide financing to the C.A.R. notwithstanding its official arrears to Libya.

Statement by Mr. Raghani, Executive Director for the Central African Republic, and Mr. Bangrim Kibassim, Advisor to Executive Director

December 19, 2018

1.` The Central African authorities would like to thank the Board, Management and Staff for the Fund's continued engagement with the country. They view the current program supported by the Extended Credit Facility (ECF) as the cornerstone of their economic recovery agenda, and reaffirm their strong commitment to achieving its objectives.

2. The Central African Republic (C.A.R.) continues to make strides in strengthening macroeconomic stability while reinforcing capacity building, promoting governance and reducing poverty. Nonetheless, significant fragility-rela ted challenges, notably security tensions and limited capacity, threaten hard-won macroeconomic stability and valuable development objectives. Therefore, while they will pursue their policy and reform agenda steadfastly, the C.A.R. authorities stress the importance of a timely and adequate support from development partners. They also welcome the commitment made by CEMAC regional institutions to support member countries' efforts to exit the crisis in line with the regional strategy adopted in December 2016 and reaffirmed last October.

3. Against a backdrop of continued solid program implementation, our C.A.R. authorities request Fund's continued support to their recovery agenda. They continue to appreciate the Fund's engagement with the country as a fragile state, including through early consultations and enhanced capacity building. On their part, they will pursue their efforts to restore the authority of the state throughout the country's territory, preserve macroeconomic stability, advance structural reforms to strengthen resilience, and fight poverty.

Recent Economic Developments, Program Performance, and Outlook

4. Economic activity in the C.A.R. continues to recover, and GDP is projected at 4.3 percent in 2018, supported by the construction sector, buoyant forestry and telecommunications activities, the positive impact of large externally-financed projects, and a better execution of domestically-financed investments. On the other hand, the observed slowdown in agricultural and mining sectors is attributable to the insecurity situation. Compared to 2017, inflation declined due to lower prices of food and manufactured products and is projected at 2.5 percent yoy from 2018 to the medium-term. Reflecting the authorities' efforts and commitment, the primary fiscal deficit is projected at 1.4 percent of GDP in 2018 following good execution of the revised 2018 budget. On debt issues, noteworthy is C.A.R's contracting of one new highly concessional loan for the improvement of a road to the cap.ital city's airport. Moreover, the authorities have continued to repay domestic banks, initiated interest payments to the regional Central Bank BEAC, and are regularizing arrears vis-à-vis external creditors.

5. Program implementation continues to be satisfactory, and the authorities have managed to maintain the ECF arrangement on track amid challenging conditions. All

quantitative performance criteria at end-June 2018 were met except the one on exceptional spending. In particular, domestic revenue mobilization has exceeded expectations. Social spending also outperformed its program target. While the 5 percent ceiling on exceptional spending procedures (DAO) was missed (indicative target), the decline from 24 percent (2017) to 9 percent (2018) is noteworthy. As referred above, the C.A.R. government has fulfilled its commitment to refrain from contracting new non-concessional external debt and from accumulating external debt arrears. On the structural front, all end-June and end-September benchmarks have been implemented albeit some with delay. The use of SYGADE for debt projections, the audits of the forestry development fund and telecommunications regulatory agency, and the rationalization of petroleum price structure are key steps made by the authorities to strengthen the fiscal framework.

6. Going forward**,** the medium-term outlook is favorable and GDP growth is projected at 5 percent from 2019 onward, based on a gradual increase of FDI in telecommunications, forestry sectors and the positive spillover effect of the peacebuilding process. The authorities share staff's assessment on significant downside risks associated with low capacity, dire security conditions, delays in external support, and strong increase in oil prices. They will pursue their efforts to reach a constructive agreement with the armed groups while continuing the redeployment of public administration and defenses forces. They stand ready to take necessary additional fiscal measures to preserve the program objectives.

Policy and Reform Agenda Going Forward

The National Recovery and Peacebuilding Plan

7. Our authorities view the success of their National Recovery and Peacebuilding Plan (NRPP) as vital to an effective and sustainable recovery of the C.A.R. economy. They will pursue the redeployment of public administration, the reform of defense forces and the execution of development projects. They remain engaged in initiatives from local stakeholders, the African Union (AU), and the U.N. mission (MINUSCA) to foster dialogue in the country. To reduce poverty, increase gender equality and enhance resilience—in line with the objectives of the NRPP—the government plans to raise significantly social spending and reinvigorate women's protection and participation in economic and public affairs. They give a high priority to supporting the agriculture sector in which women's share represents 83 percent of the total workforce, with the view to reduce inequality while promoting stronger growth.

Fiscal Policy

8. The government will pursue a prudent fiscal policy, centered around budgetary discipline and sustained domestic revenue mobilization (DRM) efforts. In this connection, the authorities plan to fully implement tax and customs measures agreed with Staff while continuing to strengthen PFM.

9. On the revenue side, the authorities are undertaking tax measures including stepping up tax audits and arrears collection, introducing a new tax on alcoholic beverages, and

creating a unit in charge of tax arrears collection management and monitoring. The authorities have launched measures to modernize the tax administration and better channel provincial resources to the treasury including the adoption of an IT platform to enhance collection and tax payments. They will pursue their efforts to enhance tax administration, limit tax fraud, and control VAT bases. The authorities will also leverage the expected lift of the embargo on diamonds exports led by the Kimberly Process and the positive impact of the ongoing parafiscal tax reform. Transparency in tax and customs administrations will be enhanced through promoting compliance with BIVAC data and monitoring and using the IT system SISTEMIF. As a result, domestic revenue is expected to increase to 11 percent of GDP by 2020 from 8.3 percent in 2017.

10. Regarding expenditures, priority will be given to social and infrastructure spending, including in education and health. In preserving fiscal sustainability, the government will also maintain strict control of the wage bill and parafiscal agencies. To contain contingent liabilities emanating from state-owned-enterprises (SOEs), and the para-public sector, the government envisages reinforcing the governance, regulations and financial oversight of these entities. More efficient public finance management should benefit from the recent promulgation of the organic law relating to finance laws and the law on transparency in public finance management as well as from the future revision of the public procurement code and the planned reorganization of the Ministry of Finances and Budget. The authorities will also accelerate the establishment of discharge bills, close additional government accounts in private banks, strengthen the budget execution through utilization of circulars, and decentralize the budgetary commitment-payment process. Actions will also be geared at improving the quality and transparency of the spending chain, with the view to furthering the effectiveness of PFM procedures.

Debt Management

11. Debt management in C.A.R. is guided by two imperatives, notably preserving debt sustainability and continuing the clearance of salary and commercial arrears starting from the year 2002. In this regard, although recent arrears payments have been delayed or postponed, major steps were taken to resolve the issue, and the government will maintain its commitment moving forward. The authorities have signed a new convention with India and cleared all arrears to the International Fund for Agricultural Development (IFAD). Negotiations with remaining creditors will continue. While encouraged by staff’s assessment that debt distress risks facing C.A.R. are decreasing, the authorities will continue to use only highly concessional loans to finance infrastructure as needed.

Financial Sector

12. The financial sector in C.A.R. has shown resilience as demonstrated by the 5.2 percent increase in credit to the economy at end-September 2018. The reduction of NPLs from 31 percent at end-2015 to 22 percent in June 2018 and banks’ liquidity and profitability are signs of the renewed strength of the banking sector. Although solid progress has been made by banks towards meeting governance and prudential standards set forth by the

regional supervisory body COBAC, the authorities intend to take the necessary action to ensure full compliance. To expand financial services across the country and accelerate financial inclusion, they will rely on financial technologies, most notably mobile banking. Efforts to strengthen the AML/CFT framework will continue.

Structural Reforms

13. The C.A.R. authorities share the view that their ability to deliver on development objectives hinges on a competitive economy, good security conditions, and a friendly business environment supported by credible and transparent public policies and institutions. With these challenges in mind, the C.A.R authorities are resolved to promote good governance and fight corruption. The requirement of asset declaration by government members will be strengthened and regulated by a law. Efforts will also be pursued to enhance natural resources management, including resuming C.A.R.'s membership in the Extractive Industries Transparency Initiative (EITI) and ensuring the disclosure of new mining and forestry permits. The government's commitment to fight corruption is highlighted in the authorities' plan to address deficiencies in the implementation of the United Nations Convention Against Corruption UNCAC) and their preparation of a National Strategy for Governance with the support from UNDP.

14. C.A.R.'s position as a landlocked country, combined with structural bottlenecks and a protracted crisis with long-lasting adverse effects on the economy and living standards are the root causes of the country's unfavorable business climate. Therefore, improving the business environment to support investments, promote private sector development and job creation, ranks high in the authorities' priorities. To this end, important steps are being taken, including the legislation on the investment charter and public-private partnerships frameworks. In addition, the authorities intend to resolve the shortcomings of the judicial system they are making progress in fostering the dialogue with the private sector. It is also their plan to proceed with the revision of the mining code, in line with international standards. Addressing infrastructure bottlenecks and access to electricity also remain challenges that are being tackled by the authorities. In this regard, projects in the solar energy and road infrastructure upgrading are being executed with support from development partners, notably the World Bank.

Capacity Building

15. The authorities welcome the intensive provision of technical assistance by partners, including the implementation of the capacity building framework initiated by the Fund. These efforts are bearing fruit as shown by the development of new skills in public finance statistics and national accounts, the new agreement with private banks preventing automatic compensation, and the transfer of parafiscal taxes to the budget. In addition to improvements to the Economic and Financial Reform Monitoring Unit (CS-REF) in charge of monitoring the government's economic reform agenda, the authorities stress the need of enhancing coordination among partners in technical assistance delivery to further increase its effectiveness.

Conclusion

16. The C.A.R. authorities are thankful to the members of the Executive Board, Management and Staff for their continued support. They place a high value on the ECF arrangement as a useful framework to sustain their national recovery strategy and contribute to CEMAC's crisis exit strategy. Based on the good progress they continue to make, their strong commitment to the program objectives, and the adequate financing assurances for the remainder of the program, the authorities are requesting the completion of the Fifth Review under the ECF.