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CENTRAL AFRICAN REPUBLIC

July 2019

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE CENTRAL AFRICAN REPUBLIC

In the context of the Sixth Review Under the Extended Credit Facility Arrangement, Requests for Waivers of Nonobservance of Performance Criteria and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 1, following discussions that ended on May 3, 2019, with the officials of the Central African Republic on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 17, 2019.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association (IDA).
- A **Supplement** providing additional information.
- A **Statement by the Executive Director** for the 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*
*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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International Monetary Fund
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Press Release No. 19/259
FOR IMMEDIATE RELEASE
July 1, 2019

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Sixth Review Under the Extended Credit Facility Arrangement for the Central African Republic and Approves US$ 31.70Million Disbursement

- Substantial progress has been achieved under the ECF arrangement, including in stabilizing the economy, reducing fiscal vulnerabilities, and improving public financial management.
- The recent peace agreement between the government and 14 armed groups could constitute a pivotal step toward ending the ongoing crisis.
- The authorities remain committed to pursuing fiscal policy consistent with macroeconomic stability.

On July 1, 2019, the Executive Board of the International Monetary Fund (IMF) completed the Sixth and final review under the Extended Credit Facility (ECF) arrangement[1] for the Central African Republic. The completion of the review enables a disbursement of SDR 22.84 million (about US$ 31.70 million), which will bring total disbursements under the arrangement to SDR 133.68 million (about US$ 185.56 million).

The three-year ECF arrangement for the Central African Republic was approved by the IMF's Executive Board on July 20, 2016 (see Press Release No. 16/352) for SDR 83.55 million, about US$ 115.97.million and subsequently augmented twice to a total of SDR 133.68 million (about US$185.56million, 120 percent of the Central African Republic's quota at the IMF).

At the conclusion of the Board's discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, stated:

"The Central African Republic's performance under the ECF arrangement remains satisfactory despite a challenging security environment and difficult humanitarian conditions. Since its

[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems. Details on Central African Republic' arrangement are available at www.imf.org/external/country/CAF .

adoption in July 2016, substantial progress has been achieved under the ECF arrangement, including in stabilizing the economy, reducing fiscal vulnerabilities, and improving public financial management.

“The recent peace agreement between the government and 14 armed groups could constitute a pivotal step toward ending the ongoing crisis. Emphasizing power-sharing, its implementation should contribute to improving security and creating the conditions for sustained and inclusive growth.

“The authorities remain committed to pursuing fiscal policy consistent with macroeconomic stability. The 2019 revised budget provides for the gradual allocation of additional grant financing to key government initiatives, including the implementation of the peace agreement, the strengthening of national security forces, and the preparation of the 2020-21 elections. Further efforts to strengthen domestic revenue mobilization, which remains weak, will be critical to sustainably financing these initiatives.

“Structural reforms have progressed, including with regard to the strengthening of the treasury single account, streamlining of parafiscal taxes, and improved budget transparency. Looking ahead, structural fiscal reforms should continue—including to further reduce the use of exceptional payment procedures and comprehensively audit all potential domestic arrears—while being complemented by reforms to improve the business climate and governance, including strengthening the AML/CFT framework.

“The Central African Republic’s program has been 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.”

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

June 17, 2019

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. President Touadéra signed a new peace agreement on February 6, 2019 with 14 armed groups. This agreement calls for the establishment of an inclusive government, the deployment of joint brigades, an acceleration of decentralization efforts, and the co-management of natural resources. While its implementation has started, including with the appointment of more inclusive government, the security situation remains volatile. The World Bank (WB) and the European Union (EU) have substantially increased their budgetary support (grants) for 2019–20. The authorities have expressed a strong interest in a successor arrangement.

Program Implementation. This is the sixth and final review of the three-year Extended Credit Facility (ECF) arrangement approved on July 20, 2016 (75 percent of quota) and augmented on July 17, 2017 and December 15, 2017 for a total access of SDR 133.68 million (120 percent of quota). Program performance at end-December 2018 was broadly satisfactory, as four performance criteria (PCs) were met while the PC on the domestic primary fiscal balance and the repayment of domestic arrears were missed (the latter by a very small margin). Two of the five end-December structural benchmarks were met, while two others were implemented with delays. The elimination of all parafiscal taxes without economic justification has been slower than expected and the authorities are now committed to fully implement this reform by end-December 2019. The program is supported by regional efforts to maintain an appropriate monetary policy stance, build up regional reserves, and promote financial sector stability.

Staff's Views. Staff supports the authorities' requests for completion of the sixth review under the ECF arrangement and the waivers of non-observance of the end-December 2018 PCs on the domestic primary fiscal balance and repayment of domestic arrears. Completion of this review will release a disbursement equivalent to SDR 22.84 million. Staff also recommends that the financing assurances review be completed.

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

Discussions took place in Bangui from April 24–May 3, 2019. The mission team comprised Mr. Martin (head), Ms. Tenison, and Messrs. Million, Ouedraogo, and Stenzel (all AFR), and Messrs. Benon and Zoungarani (resident representative and local economist). The team met with President Touadéra, President of the National Assembly Ngon-Baba, Minister of Finance and Budget Dondra, Minister of Economy, Planning and International Cooperation Moloua, National Director of BEAC Chaibou and senior government officials. It also met with Parliamentarians and representatives of the business, diplomatic and donor communities. Ms. Attey's help with the production of the staff report is, gratefully, acknowledged.

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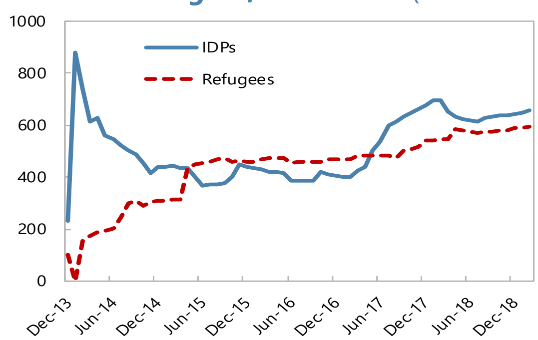
CONTEXT: PERSISTENT FRAGILITY

1. **Emphasizing power-sharing and enhanced domestic security, and supported by the donor community, the recent peace agreement could constitute a pivotal step toward ending the ongoing crisis**. The Political Agreement for Peace and Reconciliation was signed on February 6, 2019 by President Touadéra and representatives of 14 armed groups, after long consultations under the auspices of the African Union and United Nations. It has a broader scope than the seven other agreements signed since 2014 and calls for: the cessation of all hostilities; an enhanced representation of the armed groups in the government and the civil service; the deployment of joint brigades (composed of regular army and armed-group forces) in the provinces; an acceleration of decentralization efforts; and the co-management of natural resources. The international community welcomed this agreement, with the WB and the EU increasing significantly their budget support (by a total of 4 percent of GDP over 2019-20) to sustain its implementation.

2. **The security situation remains volatile.** As envisaged under the agreement, a new prime minister was appointed on February 25, and a new government announced on March 3. Following protests by several armed groups about a lack of inclusiveness, the government was reshuffled on March 22, with several armed group leaders appointed as ministers or advisors. Several committees have been put in place to monitor the implementation of the peace initiative and some joint brigades should start operating within the upcoming weeks. While the sole armed group still opposed to the agreement has threatened to attack trucks using the main road to Cameroon (and did so once in April after blocking it for a few weeks in March), this road remains open. The overall security situation remains, however, volatile, with sporadic security incidents still occurring in the provinces. The numbers of refugees and internally displaced persons (IDPs) continued to increase, to 593 thousand and 656 thousand, respectively, at end-February 2019 (Text Figure 1).

Text Figure 1. Central African Republic: IDP's and Refugees, 2013-2018 (thousands)



Source: UNHCR

3. **Notwithstanding the substantial progress accomplished under the ECF arrangement, significant challenges remain.** Despite very difficult circumstances, including persistent insecurity, lack of control over most of the country, weak capacity, and fluctuations of international oil prices, macroeconomic indicators have significantly improved (Box 1), if not always to the extent originally envisaged. Much progress has also been accomplished in terms of structural reforms, notably in tax administration and public financial management, even if some delays occurred, including in eliminating undue parafiscal taxes, reducing the use of exceptional spending procedures, and using IT systems at customs. The authorities have requested a

successor arrangement to continue to support their reform efforts and address the country's protracted balance of payments needs.

Box 1. Key Features of the ECF Arrangement

Substantial progress has been accomplished under the ECF arrangement:

- Growth reached 4.4 percent on average from 2016–18, driven by a strong recovery in the forestry sector and construction activities and externally financed investments. This is lower than initially envisaged (5.5 percent), owing to continued volatile security conditions, which slowed the recovery, notably in the agriculture sector.
- Domestic tax revenue increased at an annual average of 0.7 percent of GDP in 2016-18, to 8.9 percent of GDP in 2018, against only 4.4 percent of GDP in 2014. It remains slightly below the initial end-2018 target of 9.5 percent of GDP because of the slower integration of parafiscal taxes into the treasury single account, the persistent insecurity that hampered tax mobilization in provinces, the upward revision of nominal GDP, and a continued lack of capacity in the tax and customs administrations.
- The domestic primary fiscal deficit narrowed substantially from 3.7 percent of GDP in 2014–15 to 1.5 percent on average in 2016–18, significantly lower than the initial target of 2.1 percent. This achievement resulted from a prudent public spending policy, which stood at 14.1 percent of GDP on average in 2016–18, compared to an initial projection of 16.3 percent of GDP. Consequently, total debt declined from 62.2 percent of GDP in 2014 to 49 percent of GDP in 2018. While this decline is broadly in line with what was envisaged in the program's initial DSA, the end-2018 debt stock appears higher than projected at that time as pre-HIPC arrears are now included in the debt stock.
- Inflation remained subdued and in line with initial expectations, averaging 3.6 percent from 2016–2018, against 8.6 percent in 2014–15. While declining from 13.9 percent of GDP in 2014 to 12.3 percent of GDP in 2018, the external current account deficit (excluding grants) remained above the initial target of 9.3 percent of GDP. This mainly reflected higher imports of goods and services (33.7 vs 29.7 percent of GDP), only partly offset by higher donor financing, which increased from 1.3 percent of GDP in 2014 to 3 percent in 2018 (the initial projection was nil for 2018).
- Regarding structural reforms, spending control has been reinforced and the revenue and customs administrations have been upgraded with TA support from the IMF and other development partners (WB, EU, France). The production of quarterly budget execution reports, enhanced transparency, and monthly treasury meetings helped strengthen liquidity management. However, some reforms have experienced some delays, including the elimination of all parafiscal agencies without economic justification, the reduction of the use of exceptional spending procedures, and the use of IT systems in the customs administration.

Key Macro Variables Before (2014/15) and During (2016–18) the Program (average values)

	Before	During
Economic growth (percent)	2.9	4.4
Inflation (percent)	8.6	3.6
Domestic tax revenue (percent of GDP)	5.5	8.0
Primary domestic fiscal balance (percent of GDP)	-4.4	-1.8
Overall fiscal balance (including grants, percent of GDP)	-4.4	0.1
Total public debt (percent of GDP)	61.0	50.7

Notwithstanding this progress, significant challenges remain. These include the lack of opportunities and widespread poverty, the poor business environment and quality of infrastructure, and weak governance. Although domestic revenue increased during the program period, it remains significantly below the CEMAC target of at least 17 percent of GDP, thus limiting the fiscal space to expand public services and social spending in provinces. The private sector remains very weak, hampering growth and job creation. Weak administrative capacity and lack of political cohesion remain obstacles to the implementation of structural reforms. Furthermore, the authorities are tackling emerging issues such as the financing of the newly signed peace initiative and ensuring its implementation across the country.

RECENT DEVELOPMENTS

4. **GDP estimates have been revised upward.** The authorities released actual national accounts data for 2005-17, resulting in an upward revision to the 2017 nominal GDP by 7 percent and a change in the sectoral composition (Box 2). The new data, the first to be released by the national statistical institute (ICACESS) since the 2013 crisis, follow the 1993 system of national accounts (SNA) with 2005 as base year and benefited from extensive IMF technical assistance (TA). The authorities are now considering producing national accounts data under the 2008 SNA and changing the base year to 2017, with the aim of releasing the data by end-2021.

Box 2. Impact of the New GDP Data

The new data show a more diversified economy and higher investment. On the supply side, the primary sector declined by nearly 13 percent, while the secondary and services sectors increased by 41 percent and 17 percent, respectively. On the demand side, investment surged by more than 87 percent, and exports and imports increased by 8 and 23 percent, respectively. Consumption did not change much in nominal value, but its share in GDP declined by nearly 7 percent. Change in inventories is now factored in in the new GDP series.

Impact on Sectoral Composition

	Nominal GDP in 2017 (in CFAF billions)			Share in GDP (in percent)		
	Before	After	Variation (in percent)	Before	After	Variation
Supply side						
Primary	452.0	394.6	-12.7	40.2	32.8	-7.4
Secondary	177.3	249.5	40.7	15.8	20.7	5.0
Tertiary	429.3	503.9	17.4	38.1	41.9	3.7
Indirect taxes	66.9	55.3	-17.4	5.9	4.6	-1.4
Demand side						
Consumption	1,167.6	1,167.5	0.0	103.7	97.0	-6.7
Investment	155.7	291.7	87.4	13.8	24.2	10.4
Variation of stocks	0.0	16.4	..	0.0	1.4	1.4
Exports	191.6	207.7	8.4	17.0	17.3	0.2
Imports	389.3	479.9	23.3	34.6	39.9	5.3
GDP	1,125.5	1,203.3	6.9	100.0	100.0	

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

The increase in the nominal GDP further highlighted the low level of government revenue. The domestic revenue-to-GDP ratio was revised to 7.8 percent in 2017, compared with a previous estimate of 8.3 percent. Government spending and total debt estimates were also revised down relative to GDP. At the same time, the fiscal and the current account deficits-to-GDP ratios improved. Liquidity indicators such as debt service to exports or revenue remain unchanged.

Selected Indicators, 2017 (in percent of GDP)

	Before	After	Change
Total revenue	13.7	12.8	-0.9
Domestic revenue	8.3	7.8	-0.5
Total spending	14.8	13.9	-1.0
Primary spending	10.5	9.8	-0.7
Domestic primary balance	-2.2	-2.0	0.1
Overall balance (including grants)	-1.1	-1.1	0.1
Total debt	52.8	49.4	-3.4
Current account	-8.4	-7.8	0.5

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

5. **Economic activity temporarily slowed down in 2018, while inflation increased in the last few months (Figure 1).** Growth declined to 3.8 percent in 2018, from 4.5 percent in 2017, reflecting: a sharp fall in official diamond production following the departure of the last purchasing company; and a smaller-than-expected increase in wood production, owing to a temporary production stoppage in November–December in reaction to a tax hike. Wood production has since recovered, increasing by 11.4 percent y-o-y in 2019Q1. Average inflation stood at 1.6 percent in 2018, owing to the decline in prices for food and manufacturing products. Year-on-year inflation increased to 4.6 percent at end-December 2018, as food prices recovered in late 2018 and wood fuel prices increased sharply. It remained elevated in early 2019, reflecting in part the impact on prices of the blockade of the main road to Cameroon (Figure 1).

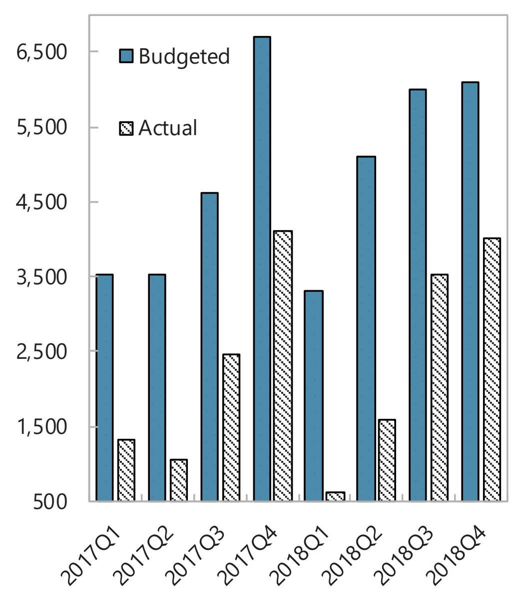
6. **Total public debt continued to decline in 2018,** to 48.8 percent of GDP from 49.4 percent of GDP at end-2017 (Text Table 1), reflecting mainly the decline in salary and commercial arrears. Domestic revenue was as expected, though primary spending was higher than targeted (CFAF 134.4 vs. 129.4 billion) as overruns in primary current expenditures—owing in part to a still-excessive use of exceptional spending procedures (mainly missions and medical evacuation expenses)—were only partly offset by continued under-execution of domestically financed capital investment (Text Figure 2). As a result, the domestic primary deficit amounted to 1.7 percent of GDP, exceeding the targeted 1.4 percent (Table Text 1). Domestic arrears repayments were marginally lower than targeted (CFAF 29.7 vs 30 billion).

Text Table 1. Fiscal Outturn, 2017–18
(percent of GDP)

	Dec. 2017	Dec. 2018	
	Outturn	Target [1]	Outturn
Revenue and grants	12.8	16.7	16.6
Domestic revenue	7.8	8.8	8.9
Tax revenue	7.0	8.1	8.1
Non tax revenue	0.7	0.8	0.8
Grants	5.0	7.9	7.8
Expenditures	13.9	16.1	16.3
Primary Spending	9.8	10.2	10.6
Current primary expenditure	9.1	9.2	9.8
Wages and salaries	4.7	4.8	4.8
Transfers and subsidies	2.0	2.2	2.2
Goods and services	2.3	2.2	2.8
Interest	0.3	0.3	0.4
Capital expenditure	4.5	6.6	6.0
Domestically financed	0.7	1.0	0.8
Externally financed	3.7	5.5	5.2
Domestic primary balance	-2.0	-1.4	-1.7
Overall balance (including grants)	-1.1	0.7	0.4
Public sector debt	49.4	48.5	48.8

Sources: C.A.R. authorities and IMF staff estimates
[1] New nominal GDP data are used.

Text Figure 2. Domestically Financed Capital Spending (CFAF millions)



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

7. **Domestic revenues in 2019Q1 were undermined by temporary factors.** There was a shortfall of 0.5-percent-of-GDP compared to expectations in the 2019 budget, stemming from the closure of the main route to Cameroon and from delays in the transfer to the TSA of the parafiscal taxes collected by public agencies (with a marginal net budgetary impact as the transfers to agencies were also lower). Domestic arrears clearance exceeded projections (CFAF 8.6 billion vs. CFAF 7.5 billion). The authorities simplified the petroleum price structure in January, generating fiscal savings of about 0.1 percent of GDP per year.

8. **The external current account deficit was broadly unchanged in 2018, at about 8 percent of GDP**. The larger trade deficit (14.9 percent of GDP, from 14.1 percent of GDP in 2017), essentially reflecting higher oil imports, was broadly offset by an increase in official transfers (from 3.2 to 4.4 percent of GDP). The closure of the main road to Cameroon, severely, impacted imports and exports in 2019Q1.

9. **Financial sector indicators continued to improve in 2018.** Credit to the economy increased by 11.5 percent (y-o-y), while broad money increased by 14 percent. Mobile money transactions surged from CFAF 2.9 billion to CFAF 10.1 billion from 2017 to 2018 (Figure 1). The share of banks' non-performing loans declined from 22.9 percent at end-2017 to 15.6 percent at end-2018, owing in part to the government's clearance of its commercial arrears. Financial soundness indicators suggest that all four banks remain resilient and adequately capitalized (Table 10).

PROGRAM PERFORMANCE

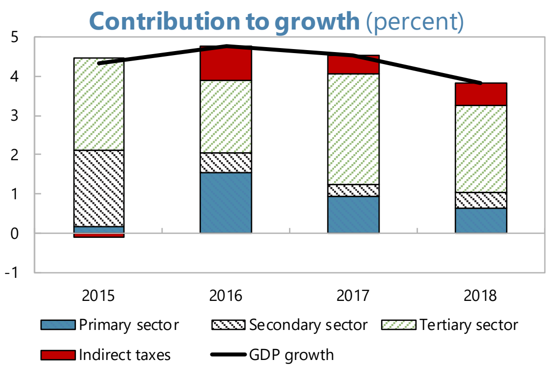
10. **Performance under the program has been broadly satisfactory:**

- **Four end-2018 quantitative performance criteria (PCs) were met, while those on the domestic primary balance and the repayment of arrears were not,** the latter by a very small margin. The end-March indicative targets on government revenue, domestic primary balance and net financing to the government were not met mainly owing to the one-off loss in tax revenue. The end-March indicative target on arrear repayments was met—bringing back cumulated arrear repayments in line with program targets.

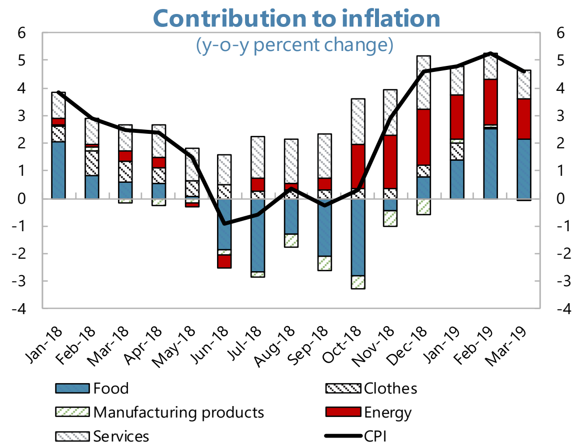
- **While the end-2018 indicative target on social spending was met, the one on spending through exceptional procedures was not,** with 11 percent of total spending still using these procedures, compared with a 5 percent target. The end-March indicative target on social spending was missed owing to the heightened insecurity in provinces and lower tax revenue but social spending is expected to accelerate thanks to the additional budget support from the WB. Expenses related to the peace initiative and medical evacuations kept the use of exceptional spending procedures at 10 percent in 2019Q1.

Figure 1. Central African Republic: Recent Economic Developments, 2014–18

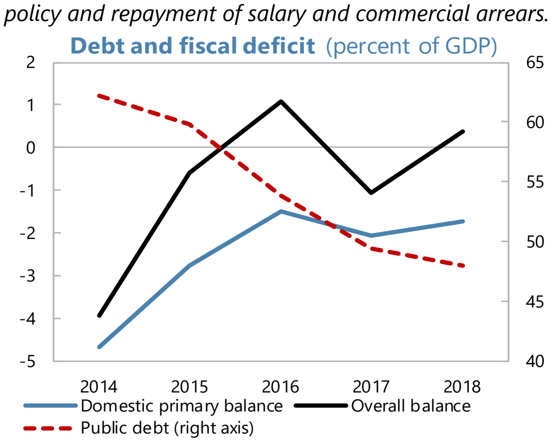
Growth declined, reflecting the collapse of official diamond production, and remains hampered by insecurity.



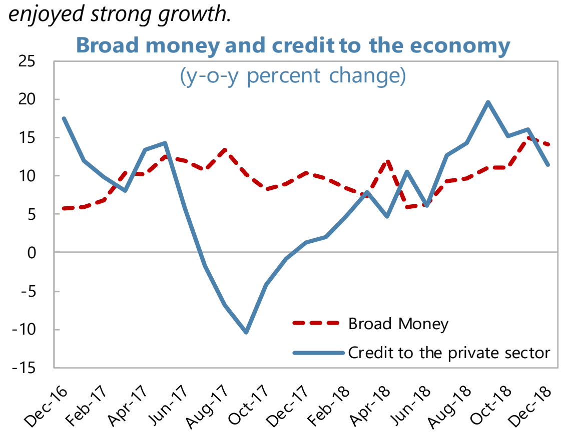
Inflation was highly volatile in 2018.



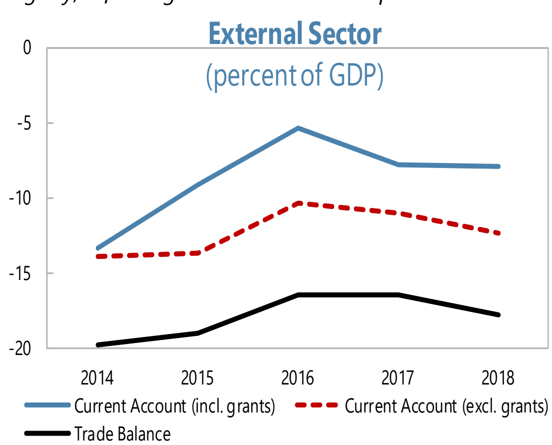
Public debt continued to decline due to prudent fiscal policy and repayment of salary and commercial arrears.



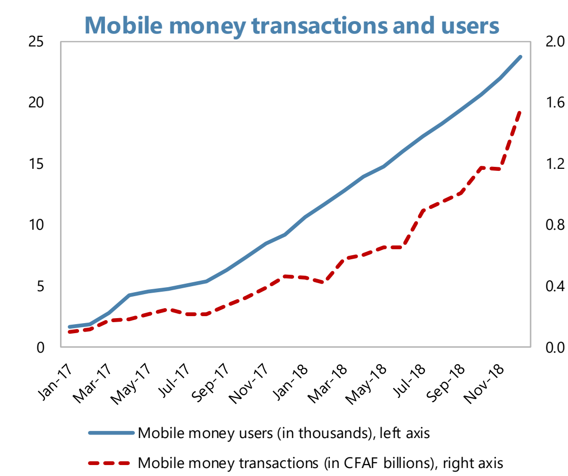
Domestic credit to the economy and broad money enjoyed strong growth.



The current account and trade balance deteriorated slightly, reflecting an increase in oil imports.



Mobile money transactions surged.



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

- **Two of the five end-December structural benchmarks were met, while two others were implemented with delays**. All cash fund agencies were closed, and the IT platform to decentralize the spending process was set up at the Ministry of Finance, by the end-2018 deadline. The establishment of the budget execution circular for 2019 and the publication of the results of the reconciliation of customs valuations data were completed in January and February 2019, respectively. The elimination of parafiscal taxes with no economic justification is still underway, owing to delays in the conduct of the necessary audits. The authorities have revised their action plan and are now committed to fully implement this measure by end-year (MEFP ¶17). The end-March SB on the inter-ministerial order laying down the conditions and terms of medical evacuations was met, while the revised legal framework governing public enterprises and agencies was submitted to parliament in May (MEFP ¶21).

OUTLOOK AND RISKS

11. **Growth is projected at 4½ percent in 2019 and 5 percent over the medium term.** In view of the uncertainty still surrounding the implementation of the recent peace agreement—especially as some armed group leaders may prove reluctant to let the government promptly deploy security forces in the regions they control—its potential impact is not factored in the baseline projections. Wood production is expected to rebound in 2019 as the taxation issue was resolved in January. While the recent shortening of the verification procedures under the Kimberley Process may help official diamond production, the latter is expected to recover only gradually as long as the most productive regions are still under an export embargo. Medium-term projections are predicated on the gradual extension of public services throughout the country, the absorption of externally financed investment, and a steadfast implementation of reforms. Grant-financed projects to expand hydropower and solar energy would notably double existing production capacity, loosening the energy bottleneck. Inflation is projected at 2.5 percent over the medium term, as wood fuel prices normalize, while the current account deficit is expected to decline over the medium term, thanks to the recovery in mining and forestry (Text Table 2).

Text Table 2. Medium-Term Outlook, 2017-24

	2017	2018		2019	2020	2021	2022	2023	2024
	Est.	IMF CR 18/204	Est.			Proj.			
Real GDP	4.5	4.3	3.8	4.5	5.0	5.0	5.0	5.0	5.0
Inflation (period average)	4.5	4.0	1.6	3.0	2.6	2.5	2.5	2.5	2.5
Current account balance (percent of GDP)	-7.8	-8.3	-7.9	-3.7	-4.8	-5.0	-5.2	-5.1	-5.0
Overall fiscal balance (incl. grants, percent of GDP)	-1.1	0.9	0.4	2.6	0.6	-0.3	-0.7	-0.5	-0.4
Domestic primary balance (percent of GDP)	-2.1	-1.4	-1.7	-2.5	-2.5	-2.2	-1.7	-1.5	-1.3
Public Debt (percent of GDP)	49.4	48.5	48.8	43.4	38.2	36.4	34.2	31.4	29.2
Budget support (percent of GDP)	1.8	3.1	3.0	5.9	3.8	2.4	1.7	1.6	1.5

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

12. **Risks to the economic outlook are skewed to the downside.** On the domestic side, a renewal of violence, notably if the peace agreement proves short-lived, could exacerbate the humanitarian crisis and political instability, reduce the prospects for economic growth, increase inflation and lower tax revenue. A protracted blockade of the main road to Cameroon could reduce tax revenue and negatively affect economic activity. Lack of political cohesion and weak

administrative capacity could undermine the implementation of the authorities' peace and development strategy, delay public investment projects, or lead to policy missteps. On the external side, an increase in international oil prices could result in lower tax revenue, while an intensification of global trade tensions could weaken growth and affect the prices of commodities, such as gold and wood, that are critical to C.A.R.'s exports. Delays in delivering external budget support and project grants could impede the government's capacity to meet the most urgent spending needs. At the same time, the successful implementation of the peace agreement constitutes a substantial upside risk.

13. **The authorities shared staff's views on the outlook and risks and reasserted their commitments to maintain prudent macroeconomic policies.** They agreed on the need to speed up structural reforms and take appropriate actions to preserve macroeconomic stability if any adverse shocks materialize. They have identified a set of reforms to bolster resilience, with a focus on domestic revenue mobilization, the swift integration of all parafiscal taxes into the treasury single account and improving the business climate and good governance. They are also committed to finalizing the national strategy for good governance, revising the mining and labor codes, and reforming the judiciary system.

POLICY DISCUSSIONS

Policy discussions for the sixth review focused on: the efficient use of additional budgetary support to sustainably finance the peace agreement; reforms to further improve public financial management and mobilize domestic revenue; the arrears clearance strategy; and measures to strengthen governance and the business environment.

A. Financing the Peace Agreement

14. **The additional budget support allows for a limited increase in the budget envelope consistent with external and public debt sustainability** (see Debt Sustainability Analysis). Staff and the authorities discussed how to sustainably meet the additional priority spending needs generated by the peace agreement and other government initiatives. While agreeing that it would be premature to factor in peace dividends in the growth projections, they estimated that, despite a slight downward revision of domestic revenue projections, the additional budget support provided by the WB and the EU could be used gradually to help finance a sustained increase in priority spending of about 1 percent of GDP, starting in 2019. While a portion of the budget support is earmarked for the recruitment of teachers, free healthcare for pregnant women, security spending and the expansion of the cash transfer program, it will also help finance the implementation of the peace agreement, the reform of the national army and security forces, and the elections.

15. **Consistent with this understanding, the authorities have submitted a draft supplementary budget law to Parliament.** The draft law incorporates lower domestic revenue projections (by about 0.4 percent of GDP, reflecting the impact of the road blockade and delayed transfers of parafiscal taxes), along with significant additional grant financing (the WB increased its budget support grants from US$20 to US$100 million in 2019 and from US$20 to US$50 million in

2020, while the EU augmented its support from € 20 million to € 25 million in 2019). On the spending side, and consistent with the peace agreement's objectives, the supplementary budget provides for a 1 percent of GDP increase in spending, aimed essentially at strengthening the army and domestic security forces, expand social services, build government offices, and prepare the 2020–21 national elections.

16. **The authorities concurred that a sustained increase in domestic revenues remains key to sustainably meet C.A.R.'s considerable spending needs.** They are determined to strengthen the tax and customs administration to improve revenue mobilization by: (i) launching VAT audits of at least 60 percent of businesses systematically declaring VAT credit or nil payments (MEFP ¶14); (ii) better using IT system at customs (the IT system Sydonia has been installed at the main border post with Cameroon (Beloko) and the office in charge of petroleum products and additional posts will be equipped by end-December 2019); and (iii) operationalizing the customs and tax audit brigade by end-June to improve information sharing and fight fraud.

Text Table 3: Original vs. Revised 2019 Budget
(percent of GDP)

	Original[1)]	Revised
Revenue and grants	18.1	20.9
Domestic revenue	10.3	9.9
Grants	7.8	11.0
Expenditures	17.4	18.3
Primary Spending	11.5	12.4
Wages and salaries	4.7	4.7
Transfers and subsidies	2.6	2.9
Goods and services	2.6	2.9
Domestically financed investment	1.7	1.9
Domestic primary balance	-1.2	-2.5
Overall balance (including grants)	0.7	2.6

Sources: C.A.R. authorities and IMF staff estimates
[1] As a percentage of 2019 GDP projection for 6th review.

B. Structural Fiscal Reforms

17. **The authorities are seeking external assistance to help them better monitor wood exports and enhance imports valuation.** The private company that had been providing such assistance for many years (BIVAC) terminated its activities. Pending the recruitment of a new firm, the custom administration is currently doing valuations by itself. After temporarily collecting it, it eliminated the 1 percent fee on imports previously levied by BIVAC to cover its costs and is considering replacing it with a more appropriate fixed fee. Forestry companies highlighted the increased risks of fraud stemming from the insufficient monitoring of exports. In this context, staff urged the authorities to speed up the process to recruit one or two companies to assist in these two

areas. It also stressed that the large discrepancies that the reconciliation of import valuations between BIVAC and customs (end-December 2018, SB) had brought to light should be promptly addressed. Following the mission, the authorities launched a call for expression of interest to recruit new service providers and will launch a tender by end-July (MEFP ¶15).

18. **Further efforts are necessary to consolidate the TSA and streamline parafiscal taxes.** The 2019 budget law enacted the transfer of parafiscal taxes and fees collected by public agencies to the TSA. Public accountants have been assigned to all agencies and dedicated TSA sub-accounts were opened at BEAC in May to operationalize the reform (MEFP ¶18). Some parafiscal taxes without economic justification were eliminated as of January 1, 2019. However, the elimination of the rest is taking longer than anticipated owing to the need to finalize audits of all public agencies. 22 out of 41 agencies have been audited by the General Finance Inspector office or external auditors. The 2019 draft supplementary budget provides for the elimination of 8 non-operational parafiscal agencies already identified (MEFP ¶18). The authorities now aim at finalizing the audits by end-September 2019 and including provisions for the elimination of all remaining parafiscal taxes without economic justification in the draft budget law for 2020 (MEFP ¶19). Staff considers that the new plan is adequate and should be scrupulously respected in order to promptly improve the business climate.

19. **Reforms to strengthen spending efficiency and controls are making progress.** The IT platform to decentralize the spending process was set up at the Ministry of Finance (end-December 2018, SB). Although the end-December 2018 target for the use of exceptional spending procedures was missed, their share in total spending declined significantly, from 24 percent in 2017 to 10 percent in 2019Q1, driven by the regularization of some categories of expenses (food for national forces and hospitals). The authorities took further measures to improve spending transparency: they closed all cash funds of the 2018 budget (end-December 2018, SB), adopted a decree to regulate the modalities of medical evacuations (end-March 2019, SB), and issued a circular letter operationalizing the obligation for civil servants to justify within one week the use of mission allowances and other cash funds (MEFP ¶20). Staff called for the strict implementation of the new modalities of medical evacuations and an acceleration of ongoing reforms.

20. **Measures to strengthen financial oversight of public institutions and state-owned enterprises are advancing.** The Ministry of Finance prepared a draft law to improve their financial monitoring and oversight, with TA support from the IMF. The Council of ministers submitted this draft law to parliament (end-March 2019, SB) in May (MEFP ¶21). The authorities also adopted in May the new organizational chart reorganizing the Ministry of Finance and Budget and reinforcing the financial oversight of public enterprises.

C. Debt Sustainability and Domestic Arrears Clearance

21. **C.A.R. remains at high risk of debt distress** (see Debt Sustainability Analysis)**.** C.A.R.'s public and publicly guaranteed debt has declined substantially throughout the program period. Nevertheless, C.A.R.'s debt service capacity remains weak given its low domestic revenue and weak export base, severely constraining C.A.R.'s ability to contract new debt without jeopardizing

debt sustainability. Further considerations support a prudent approach to contracting new debt: macroeconomic projections are highly uncertain in a volatile security environment and debt indicators are sensitive to standardized stress tests. Moreover, significant contingent liabilities could materialize, related to the large stock of unaudited potential domestic arrears and the limited information about the (likely vulnerable) financial situation of state-owned enterprises.

22. **The authorities continued to clear identified domestic arrears.** The clearance of commercial arrears is almost completed. However, the repayment of wage arrears has progressed slower than envisaged under the government's time-bound plan adopted in 2017, partially driven by strict control and identification requirements. The authorities and staff agreed to update the plan with the objective to clear all identified arrears by mid-2020 (Text Table 4), which appears realistic given the authorities' commitment, accrued experience in managing the control process, and comfortable liquidity position. In addition, the authorities have identified pension and social arrears of about 0.8 percent of GDP accumulated between 2001 and 2003. After they were audited by the General Finance Inspector office, the authorities started to clear these arrears together with wage arrears of that period.

23. **The authorities launched further audits of potential domestic arrears.** The authorities shared with staff a list of potential arrears, amounting to about 10 percent of GDP, that they only recently identified (owing to weak budget execution controls, low capacity, and insufficient coordination among ministries), and which therefore were not included in the initial strategy. These potential arrears include: (i) arrears for services delivered without spending authorization before 2014; (ii) arrears on deposits accounts at the treasury mostly accumulated before 2010; and (iii) debt towards public enterprises (MEFP ¶22). The authorities are hiring external auditors to clarify the status of these claims by end-September 2019, many of which are likely to prove invalid owing to a lack of proper documentation. Staff urged the authorities to swiftly clarify their status to boost fiscal transparency and help determine an appropriate policy response.

Text Table 4. Central African Republic: Domestic Arrears Repayment Plan, 2017–20

	2017	2018				2019				2020			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						est.	proj.	proj.	proj.	proj.	proj.	proj.	proj.
Wage Arrears[1]													
Stock (end of period)													
(in CFAF billion)	62.5	57.3	56.9	52.9	50.6	43.3	37.2	27.2	17.2	8.6	0.0	0.0	0.0
(in percent of GDP)	5.6	4.7	4.7	4.3	4.1	3.3	2.8	2.1	1.3	0.6	0.0	0.0	0.0
Repayments	2.4	5.2	0.4	4.0	2.3	7.3	6.1	10.0	10.0	8.6	8.6	0.0	0.0
Arrears to Small and Medium-Sized Enterprises													
Stock (end of period)													
(in CFAF billion)[2]	9.2	3.8	0.8	0.6	0.6	0.6	0.6	0.6	0.6	…	…	…	…
(in percent of GDP)	0.8	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	…	…	…	…
Repayments	0.0	5.4	3.0	0.2	0.0	0.0	0.0	0.0	0.0	…	…	…	…

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

[1] Includes only arrears covered by the 2017 arrears clearance plan.

[2] Remaining amount to small and medium-sized enterprises due to claimants failing to provide proper documentation.

D. Business Environment and Good Governance

24. **Reforms to improve natural resource management are ongoing.** The authorities are working, with WB support, on the redrafting of the outdated mining code to better align it with regional rules, notably on foreign exchange repatriation (MEFP ¶25). Procedures under the Kimberley process have improved[1], reducing the average time to clear diamond exports from 3-4 months to around 1–2 weeks. The authorities requested to be reintegrated in the Extractive Industries Transparency Initiative and are publishing quarterly all new forestry and mining permits in the Ministry of Finances' website (MEFP ¶24). The authorities adopted in January a new wood reference price, which has helped to improve the sector competitiveness and to diffuse tensions between investors in the forestry sector and the government, thereby contributing to the resumption of wood production.

25. **A diagnostic mission will inform the strategy to fight corruption.** The effectiveness of the high authority for good governance suffers from a lack of authorization to publish the results of investigations and a lack of specific tools to follow-up on recommendations. It has recently drafted a "good governance" strategy, supported by UNDP, which is set to provide a framework for a comprehensive governance overhaul (MEFP ¶24). The authorities agreed with staff that a strengthening of the asset declaration framework by tightening the requirements to declare and enforcing sanctions in case of breach of obligations is desirable in principle, but specific steps have yet to be taken. To better inform the reform agenda going forward, the authorities requested an IMF governance diagnostic mission to assist them to formulate comprehensive and well-sequenced measures in the areas of fiscal governance, anti-corruption strategy and policies, regulatory framework (ease of doing business and trade facilitation), rule of law, and AML/CFT (MEFP ¶24). Staff urged the authorities to strengthen institutional frameworks and transparency in public administration to curb corruption.

26. **Improving the business environment.** The business community welcomed the government's submission to parliament of a draft law capping the fines applied in cases of employment litigation, as it considered that some court rulings in such cases— particularly the very high fines related to dismissals—were arbitrary and a key impediment to private investment. The authorities are also updating the labor code with WB support (MEFP ¶25) and have committed to strengthening the regular consultation discussions with the private sector. Staff commended the authorities for these ongoing reforms and underlined that the revisions of the labor and mining codes should be broad based, aligned with international best practices, and in compliance with CEMAC's new foreign exchange regulations.

E. Financial Sector

27. **Efforts are underway to improve the judiciary system and bolster the financial sector.** The private sector complains about the unpredictability of court decisions regarding financial sector issues. To tackle this problem, a joint conference between the financial sector and the judiciary

[1] So as to prevent conflict diamonds from entering legitimate trade, the Kimberley Process requires that its members certify shipments of rough diamonds as 'conflict-free'. Participating states must meet 'minimum requirements', including: putting in place national legislation and institutions and export, import and internal controls; and committing to transparency and the exchange of statistical data (see https://www.kimberleyprocess.com/).

system was organized at end-June 2018 and recommended to: (i) establish an arbitration and mediation center; (ii) create specialized court proceedings for banking and financial services litigations; (iii) develop and publish a database of court decisions; and (iv) increase the number of judges and court officers to speed up court rulings and their enforcements. Staff welcomed the authorities' commitment to implement these recommendations in 2019 while stressing that the timeline appears ambitious given limited capacity.

28. **The authorities reiterated their commitments to monitor the implementations of COBAC recommendations.** The 2017 COBAC mission made individual bank-level recommendations necessary to reinforce the financial stability of the banks. Although the state of implementation differs between banks, most of the measures have been implemented or are ongoing. Bank governance and prudential standards were strengthened, and progress is being made towards improving internal control mechanisms and fighting money laundering and terrorism financing (MEFP ¶27). Staff urged the authorities to explore all possible means that could pave the way to the identifications of mobile money users.

CAPACITY BUILDING

29. **The authorities are implementing their capacity building strategy in the context of the Capacity Building Framework (CBF) pilot project launched in early 2017**. Under the CBF, the Fund has significantly increased the delivery of TA and training to C.A.R. Capacity Building (CB) outcomes have been broadly aligned with program objectives. In some cases, limited absorptive capacity, weak prioritization in the implementation of TA mission recommendations, and inadequate monitoring have weakened TA effectiveness.

30. **The mission discussed capacity needs going forward based on progress and policy priorities and agreed on an updated capacity building strategy for 2019–22 under the CBF** (Annex I). CB priorities continue to focus on revenue mobilization, budget preparation and implementation, public accounting, debt management, and macroeconomic statistics.

PROGRAM ISSUES AND FINANCING ASSURANCES

31. **The authorities are requesting waivers of nonobservance of the two missed PCs** (Letter of Intent). Corrective actions were taken to: contain further the use of exceptional spending procedures, including the control of mission expenses, a new agreement with travel agencies and airline companies to reduce mission costs (to be finalized by end-September 2019), and the new decree for medical evacuations; and accelerate domestic arrear repayments in 2019Q1, bringing cumulative payments in line with program targets.

32. **The program is fully financed through the end of the ECF arrangement and C.A.R. has adequate capacity to repay the Fund.** Significant Fund repayments are due in the coming years (Table 9). The authorities are making regular deposits at the BEAC to ensure timely repayment.

33. **The BEAC and COBAC have pursued the implementation of their policy commitments and the BEAC has provided an updated policy assurance on end-December 2019 NFAs in**

support `of CEMAC countries' Fund-supported programs.[2] With regard to existing policy assurances, the BEAC submitted new foreign exchange regulations to the UMAC ministerial committee and operationalized the new monetary policy framework by end-2018. In addition, the end-2018 regional policy assurance on NFAs was exceeded. In its updated letter of policy support, the BEAC presented a revised projection for the end-December 2019 NFAs and, also, reiterated its commitment to implement an adequately tight monetary policy to achieve the NFA projections, while member states will implement adjustment policies in the context of IMF-supported programs. The NFA assurances provided by the BEAC are critical for the success of C.A.R.'s program and will help bolster the region's external sustainability, and hence C.A.R.'s.

34. **The authorities committed to implement the new regional foreign exchange regulations and to support the efforts undertaken at the regional level (MEFP ¶30**). They have submitted all mining contracts to BEAC and committed to guarantee that all new contracts are in conformity with the new foreign exchange regulation. The authorities also committed to identify the accounts held abroad by state-owned enterprises and to ensure the repatriation and surrendering of their external assets by end-2019.

35. **The BEAC continues to implement the remaining recommendations of the 2017 safeguards assessment.** BEAC's full transition to IFRS for FY 2019 is progressing broadly as planned, and efforts are being stepped up to accelerate the revisions to the secondary legal instruments for alignment with the BEAC Charter. The adoption of the revised secondary legislations was extended beyond the initial timeline (June 2018) to allow for further consultation with stakeholders, including IMF staff.

36. **With the exception of Libya, official creditors to which there are outstanding external arrears have consented to Fund financing notwithstanding these arrears.** C.A.R. has accumulated arrears that pre-date the completion point of the HIPC initiative with some non-Paris Club creditors (Argentina, Equatorial Guinea, Iraq, Libya, and Taiwan, Province of China). All these creditors have provided consent to Fund financing, except Libya, which has requested more time to convey its position.[3] 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. The country remains current on its remaining external debt service obligations.

37. **Successor arrangement.** The authorities have requested a successor arrangement. Its main objectives would be to consolidate the gains made under the current arrangement (due to expire on July 19, 2019), including in strengthening revenue administration and public financial management and in addressing C.A.R.'s protracted balance of payments needs, while stepping up governance and

[2] CEMAC—Staff Report on the Common Policies in Support of Member Countries' Programs, June 2019.

[3] While the authorities pursued their good faith efforts, including as part of discussions with the Libyan authorities in Tunis in March, an agreement has hitherto not been reached.

business climate reforms to underpin higher, sustained, and inclusive growth. Discussions for such an arrangement could start in September/October, 2019.

STAFF APPRAISAL

38. **The authorities have made commendable efforts to reduce fiscal vulnerabilities and sustain economic growth under the three-year ECF arrangement.** They adopted prudent fiscal policy while preserving social spending. Despite persistent insecurity, the domestic tax-to-GDP ratio increased by 2.1 percentage points of GDP between 2015 and 2018, while spending was contained, bringing the domestic primary deficit to 1.7 percent of GDP in 2018, from 4.1 percent of GDP in 2015. The arrears payment strategy has contributed to diffusing social tensions and reducing banks non-performing loans. The authorities have also implemented ambitious structural reforms to strengthen the customs and tax administrations, improve public finance management and transparency, and reduce tax exemptions. Weak institutional capacity, lack of political cohesion, and resistance by vested interests have, however, delayed some reforms, including the integration of all parafiscal taxes into the TSA.

39. **The recent peace agreement provides a unique opportunity to improve security and create the conditions for sustained and inclusive growth, poverty reduction, and job creation.** To allow for its successful implementation, the authorities, in collaboration with the donor community, need to fine-tune their assessment of the associated spending needs over the short and long term and identify sources of financing to meet these needs. As these needs may compete with those generated by other government initiatives, such as programming laws for the military and domestic security forces, clear priorities will need to be defined. In this regard, coordination within the government should be strengthened, and new initiatives should not be adopted without prior consultation with the Ministry of Finance and a clear assessment of the budgetary implications.

40. **While consistent with debt sustainability, the draft supplementary budget law provides for an increase in priority spending to support key government initiatives.** On the revenue side, it takes into account the loss of tax revenue that resulted from the blockade of the key trade route from Cameroon and the delayed integration of parafiscal taxes into the TSA, and the gradual use of the additional budget support provided by development partners. On the expenditure side, the draft law allocates additional budget resources to the implementation of the peace agreement, the strengthening of the national security forces and the preparation of the 2020-21 presidential and legislative elections.

41. **Maintaining a strong focus on domestic resource mobilization remains crucial to reducing fiscal vulnerabilities and bolstering inclusive economic growth**. Given the large spending needs and the limited room for savings, revenue mobilization is key to achieving development objectives. In this regard, the implementation of the peace agreement presents an opportunity to mobilize taxes from provinces that are currently out of the government control. Finding successors to BIVAC to assist the authorities in valuing imports and monitoring wood

exports and improving the collaboration between the customs and revenue administrations should be high priorities.

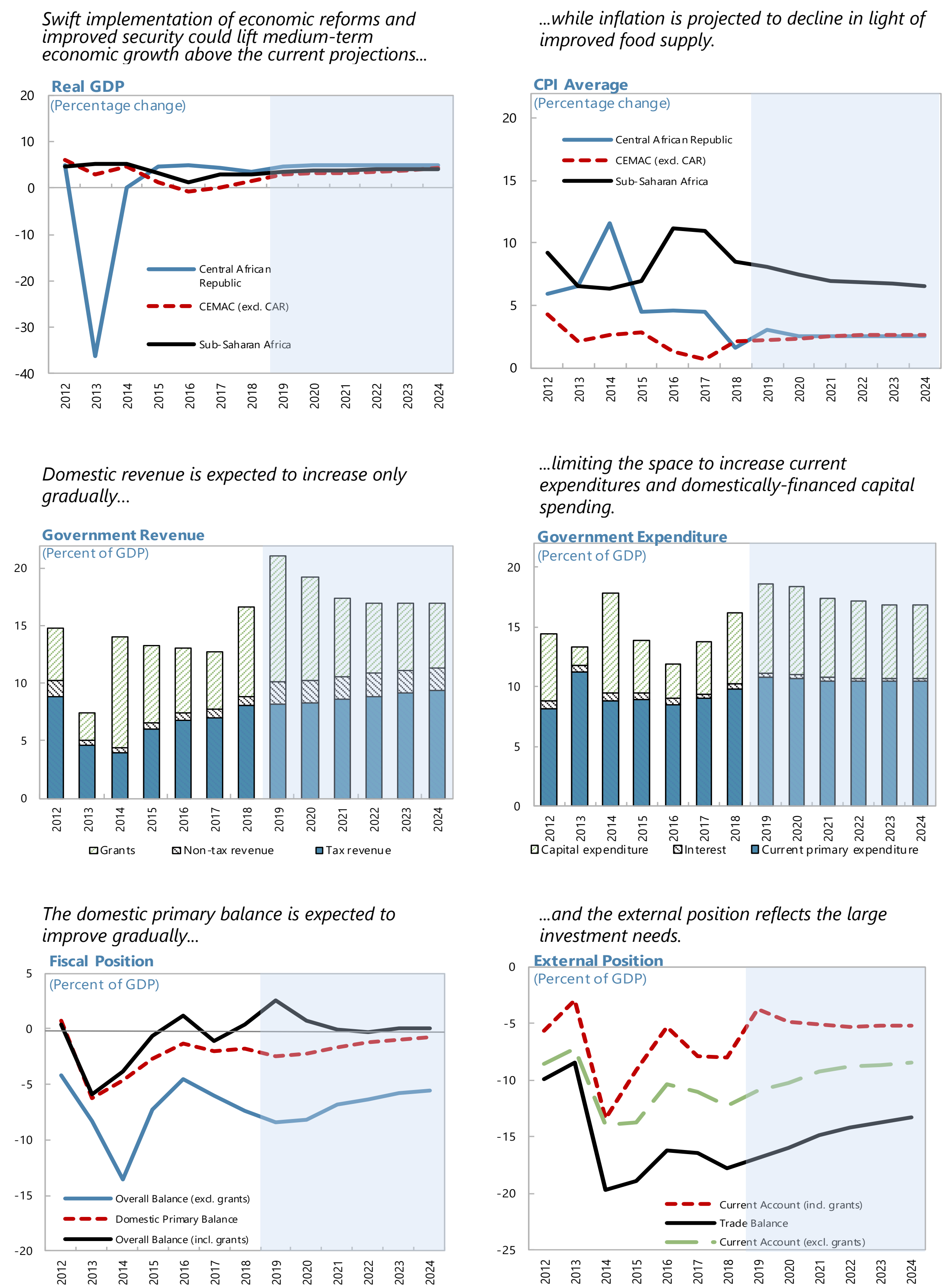
42. **Bolder reforms are called for to improve the business climate and governance.** In addition to insufficient energy supply, outdated labor and mining codes, and inadequate legal framework to curb corruption and fraud, the business climate suffers from weak judiciary, poor management of natural resources, lack of dialogue between the government and the private sector, and low level of financial inclusion. The authorities are taking commendable steps by upgrading the mining and labor codes and reforming the procurement process. The ongoing preparation of the national strategy for good governance should provide the basis for an appropriate legal framework to improve governance and fight against corruption.

43. **A successor arrangement could help consolidate progress made under the current program.** The current program has supported the authorities' development plan and helped catalyze financing resources from development partners. An ambitious program supported by a new arrangement could continue doing so while providing a framework for the implementation of governance and business climate reforms to boost economic growth.

44. **Based on C.A.R.'s performance under the program, the authorities' corrective actions, and the adequate implementation of the regional policy assurances by the BEAC, staff supports the completion of the sixth review, as well as the waivers of non-observance of the end-December 2018 PCs on the domestic primary balance and the repayment of domestic arrears.** Corrective actions to respond to the non-observance of these two PCs include additional measures to contain further the use of exceptional spending procedures and the strong performance in arrears repayment in 2019Q1. Staff also recommends completion of the financing assurances review.

45. **It is proposed that the next Article IV consultation take place on a 12-month cycle in** accordance with the Decision on Article IV Consultation Cycles, Decision No. 14747–10/96.

Figure 2. Central African Republic: Medium-Term Economic Prospects, 2012–24



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

Table 1. Central African Republic: Selected Economic and Financial Indicators, 2017–24

	2017	2018		2019		2020	2021	2022	2023	2024
	Est.	5th Rev.	Prel. Est.	5th Rev.	Proj.			Proj.		
				(Annual percentage change; unless otherwise indicated)						
National income and prices										
GDP at constant prices	4.5	4.3	3.8	5.0	4.5	5.0	5.0	5.0	5.0	5.0
GDP per capita at constant prices	2.6	2.4	1.9	3.1	2.5	3.0	3.0	3.0	3.0	3.0
GDP at current prices	11.3	7.4	5.3	8.2	7.2	7.7	7.7	7.7	7.7	7.7
GDP deflator	6.4	3.0	1.4	3.0	2.7	2.6	2.6	2.6	2.6	2.5
CPI (annual average)	4.5	3.0	1.6	3.0	3.5	2.6	2.5	2.5	2.5	2.5
CPI (end-of-period)	7.2	2.5	4.6	2.3	3.0	2.5	2.5	2.5	2.5	2.5
Money and credit										
Broad money	10.3	2.3	14.0	11.6	14.1	13.6	8.6	7.3	6.6	6.2
Credit to the economy	1.4	5.5	11.5	3.3	9.7	8.6	8.8	8.5	8.6	8.5
External sector										
Export volume of goods	42.5	10.0	10.3	10.4	2.8	7.8	8.3	8.4	5.2	5.1
Import volume of goods	-2.0	5.2	0.1	6.2	4.2	4.9	4.8	5.3	6.0	6.1
Terms of trade	-18.5	-13.4	-11.7	0.2	5.7	-0.4	0.6	-0.3	0.6	1.2
				(Percent of GDP; unless otherwise indicated)						
Gross national savings	5.7	7.3	7.1	9.0	12.8	11.7	10.9	10.7	11.2	11.8
Of which: current official transfers	1.8	3.1	3.0	2.8	5.9	3.8	2.4	1.7	1.6	1.5
Gross domestic savings	-2.9	-2.9	-2.7	-0.3	0.5	1.3	1.8	2.4	3.1	4.0
Government	-1.4	-0.5	-1.2	0.3	-0.7	-0.7	-0.4	-0.1	0.2	0.5
Private sector	-1.5	-2.4	-1.5	-0.6	1.2	2.1	2.2	2.4	2.9	3.5
Consumption	102.9	102.9	102.7	100.3	99.5	98.7	98.2	97.6	96.9	96.0
Government	7.0	7.3	7.7	7.5	7.6	7.8	7.9	7.8	7.8	7.8
Private sector	95.9	95.5	95.0	92.8	91.9	90.9	90.3	89.8	89.1	88.2
Gross investment	13.5	15.9	15.1	16.6	16.6	16.5	15.9	15.9	16.3	16.9
Government	4.5	6.9	6.0	7.5	7.5	7.5	6.9	6.9	6.8	6.9
Private sector	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.5	10.0
External current account balance										
with grants	-7.8	-8.6	-7.9	-7.6	-3.7	-4.8	-5.0	-5.2	-5.1	-5.0
without grants	-11.0	-13.3	-12.3	-11.7	-10.9	-10.1	-9.1	-8.7	-8.6	-8.4
Overall balance of payments	2.9	-1.8	-1.7	-0.2	2.9	2.3	2.9	2.5	1.9	2.8
Central government finance										
Total revenue (including grants)	12.8	17.5	16.6	18.8	20.9	19.1	17.4	17.0	17.2	17.3
of which: domestic revenue	7.8	9.3	8.9	10.7	9.9	10.1	10.4	10.7	10.9	11.2
Total expenditure [1]	13.9	16.8	16.3	18.1	18.3	18.4	17.8	17.7	17.7	17.7
of which: capital spending	4.5	6.9	6.0	7.5	7.5	7.5	6.9	6.9	6.8	6.9
Overall balance										
Excluding grants	-6.1	-7.6	-7.4	-7.4	-8.4	-8.3	-7.4	-7.0	-6.7	-6.5
Including grants	-1.1	0.7	0.4	0.7	2.6	0.6	-0.3	-0.7	-0.5	-0.4
Domestic primary balance [2]	-2.0	-1.4	-1.7	-1.2	-2.5	-2.3	-2.0	-1.7	-1.4	-1.2
Public sector debt	49.4	48.5	48.8	42.2	43.4	38.2	36.4	34.2	31.4	29.2
Of which: domestic debt [3]	16.2	12.8	13.9	8.2	10.2	7.8	6.9	5.9	5.1	4.3
Of which: external debt	33.3	35.7	34.9	34.0	33.2	30.5	29.5	28.3	26.3	24.9
Memorandum items:										
GDP per capita (US dollars)	416	430	449	451	457	518	551	585	631	659
Nominal GDP (CFAF billions) [4]	1,203	1,209	1,267	1,308	1,359	1,463	1,575	1,697	1,828	1,968

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 expenditures.

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

[4] Nominal GDP was revised upward in February 2019 for the period 2009-2017.

Table 2a. Central African Republic: Central Government Financial Operations, 2017–24
(CFAF billions)

	2017	2018		2019		2020	2021	2022	2023	2024
	Est.	5th Rev.	Est.	5th Rev.	Proj.			Proj.		
Revenue	154.0	212.1	210.6	245.8	283.8	278.9	274.9	288.7	314.6	340.5
Domestic revenue	93.5	112.1	112.4	139.9	134.9	148.0	164.1	181.5	200.2	220.6
Tax revenue	84.6	102.2	102.2	113.0	111.0	122.3	136.4	151.7	168.0	185.9
Taxes on profits and property	14.5	21.6	21.6	27.7	26.7	30.5	33.6	37.0	40.6	44.6
Taxes on goods and services	40.7	51.6	51.6	57.1	56.6	58.2	65.3	72.7	80.8	89.8
Of which : VAT	29.4	33.1	33.1	35.9	35.4	37.4	42.0	46.8	52.1	58.0
Taxes on international trade	29.4	29.0	29.0	28.2	27.7	33.6	37.5	42.0	46.6	51.5
Non-tax revenue	8.9	9.9	10.2	26.9	23.9	25.8	27.7	29.9	32.2	34.6
Grants	60.6	100.0	98.2	105.9	148.9	130.9	110.8	107.1	114.4	120.0
Program	21.2	37.5	37.6	37.2	80.2	55.0	37.8	28.3	29.4	29.4
Project	39.4	62.5	60.6	68.7	68.7	75.9	73.0	78.9	85.0	90.5
Expenditure [1]	166.8	203.7	205.9	236.7	248.8	269.5	280.3	300.7	322.9	348.6
Primary Spending	118.1	129.4	134.4	156.2	168.3	181.8	195.7	210.4	226.7	244.5
Current primary expenditure	109.2	116.1	124.6	133.8	142.2	155.9	167.9	180.2	194.2	209.1
Wages and salaries	57.0	60.6	61.3	63.5	63.5	70.2	75.6	81.3	87.5	94.2
Transfers and subsidies	24.5	27.5	27.5	35.2	38.9	42.4	44.1	47.5	51.2	55.1
Goods and services	27.7	28.0	35.8	35.1	39.8	43.2	48.1	51.4	55.6	59.8
Interest	3.8	4.2	5.1	4.3	4.3	4.3	4.1	4.0	3.7	3.5
External	2.1	2.3	2.6	2.4	1.7	1.7	1.7	1.7	1.6	1.7
Domestic	1.7	1.9	2.5	1.9	2.7	2.5	2.4	2.3	2.1	1.9
Capital expenditure	53.8	83.3	76.2	98.7	102.3	109.3	108.3	116.5	124.9	136.0
Domestically financed	9.0	13.3	9.8	22.5	26.1	25.9	27.8	30.2	32.4	35.4
Externally financed	44.9	70.0	66.4	76.2	76.2	83.4	80.5	86.4	92.5	100.5
Overall balance										
Excluding grants	-73.3	-91.6	-93.5	-96.8	-113.9	-121.4	-116.2	-119.2	-122.7	-128.0
Of which: domestic primary balance [2]	-24.7	-17.3	-22.0	-16.3	-33.3	-33.8	-31.6	-28.8	-26.5	-23.9
Including grants	-12.8	8.5	4.7	9.1	35.0	9.5	-5.4	-12.0	-8.3	-8.1
Net change in arrears ((-) = reduction)	-11.5	-32.7	-29.7	-44.0	-35.6	-22.6	-5.2	0.0	0.0	0.0
Domestic	-9.0	-31.7	-29.7	-44.0	-35.6	-22.6	-5.2	0.0	0.0	0.0
External	-2.5	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.8	0.0	-4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-23.5	-24.2	-29.2	-34.9	-0.6	-13.1	-10.6	-12.0	-8.3	-8.1
Identified financing	23.5	24.2	29.2	34.9	0.6	13.1	10.6	12.0	8.2	8.0
External, net	12.6	1.8	1.8	1.8	1.9	2.2	27.0	26.8	18.4	40.0
Project loans	5.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	10.0
Program loans [3]	8.8	0.0	0.0	0.0	0.0	0.0	25.0	25.0	13.8	33.7
Amortization	-1.8	-5.7	-5.7	-5.7	-5.6	-5.3	-5.5	-5.7	-2.9	-3.7
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic, net	11.0	22.4	27.4	33.1	-1.3	10.9	-16.4	-14.8	-10.2	-32.0
Banking system	0.6	22.4	31.4	33.1	-1.3	10.9	-18.4	-16.8	-12.2	-34.0
BEAC	8.2	25.2	35.4	35.9	1.6	13.9	-15.3	-13.6	-8.9	-30.6
of which: Counterpart to IMF resources (BEAC)	21.9	27.1	27.8	10.4	11.0	-4.4	-4.8	-8.9	-14.3	-22.9
Amortization of advances and consolidated lo	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-7.3	-7.5	-7.6
Commercial banks	-7.6	-2.8	-4.0	-2.8	-2.9	-3.0	-3.1	-3.2	-3.3	-3.4
Nonbank	4.0	0.0	-4.0	0.0	0.0	0.0	2.0	2.0	2.0	2.0
Exceptional financing [4]	6.4	0.0	0.0	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	0.0
Memorandum items:										
Total government debt	594.7	586.6	618.8	552.0	589.9	559.7	573.4	581.1	574.5	575.5
Government domestic currency debt [5]	194.5	154.8	176.0	107.2	138.4	114.0	108.8	100.2	93.0	85.0
Nominal GDP	1,203	1,209	1,267	1,308	1,359	1,463	1,575	1,697	1,828	1,968

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] Budget support loans to be identified from 2021 to 2024

[4] Loan agreements with commercial banks.

[5] Including domestic arrears.

Table 2b. Central African Republic: Central Government Financial Operations, 2017–24
(Percent GDP)

	2017	2018		2019		2020	2021	2022	2023	2024
	Est.	5th Rev.	Est.	5th Rev.	Proj.			Proj.		
Revenues	12.8	17.5	16.6	18.8	20.9	19.1	17.4	17.0	17.2	17.3
Domestic revenue	7.8	9.3	8.9	10.7	9.9	10.1	10.4	10.7	10.9	11.2
Tax revenue	7.0	8.5	8.1	8.6	8.2	8.4	8.7	8.9	9.2	9.4
Taxes on profits and property	1.2	1.8	1.7	2.1	2.0	2.1	2.1	2.2	2.2	2.3
Taxes on goods and services	3.4	4.3	4.1	4.4	4.2	4.0	4.1	4.3	4.4	4.6
Of which: VAT	2.4	2.7	2.6	2.7	2.6	2.6	2.7	2.8	2.8	2.9
Taxes on international trade	2.4	2.4	2.3	2.2	2.0	2.3	2.4	2.5	2.5	2.6
Non-tax revenue	0.7	0.8	0.8	2.1	1.8	1.8	1.8	1.8	1.8	1.8
Grants	5.0	8.3	7.8	8.1	11.0	8.9	7.0	6.3	6.3	6.1
Program	1.8	3.1	3.0	2.8	5.9	3.8	2.4	1.7	1.6	1.5
Project	3.3	5.2	4.8	5.3	5.1	5.2	4.6	4.6	4.6	4.6
Expenditure [1]	13.9	16.8	16.3	18.1	18.3	18.4	17.8	17.7	17.7	17.7
Primary Spending	9.8	10.7	10.6	11.9	12.4	12.4	12.4	12.4	12.4	12.4
Current primary expenditure	9.1	9.6	9.8	10.2	10.5	10.7	10.7	10.6	10.6	10.6
Wages and salaries	4.7	5.0	4.8	4.9	4.7	4.8	4.8	4.8	4.8	4.8
Transfers and subsidies	2.0	2.3	2.2	2.7	2.9	2.9	2.8	2.8	2.8	2.8
Goods and services	2.3	2.3	2.8	2.7	2.9	3.0	3.1	3.0	3.0	3.0
Interest	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2
External	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Domestic	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.1	0.1	0.1
Capital expenditure	4.5	6.9	6.0	7.5	7.5	7.5	6.9	6.9	6.8	6.9
Domestically financed	0.7	1.1	0.8	1.7	1.9	1.8	1.8	1.8	1.8	1.8
Externally financed	3.7	5.8	5.2	5.8	5.6	5.7	5.1	5.1	5.1	5.1
Overall balance										
Excluding grants	-6.1	-7.6	-7.4	-7.4	-8.4	-8.3	-7.4	-7.0	-6.7	-6.5
Of which: domestic primary balance [2]	-2.0	-1.4	-1.7	-1.2	-2.5	-2.3	-2.0	-1.7	-1.4	-1.2
Including grants	-1.1	0.7	0.4	0.7	2.6	0.6	-0.3	-0.7	-0.5	-0.4
Net change in arrears ((-) = reduction)	-1.0	-2.7	-2.3	-3.4	-2.6	-1.5	-0.3	0.0	0.0	0.0
Domestic	-0.8	-2.6	-2.3	-3.4	-2.6	-1.5	-0.3	0.0	0.0	0.0
External	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.1	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-2.0	-2.0	-2.3	-2.7	0.0	-0.9	-0.7	-0.7	-0.5	-0.4
Identified financing	2.0	2.0	2.3	2.7	0.0	0.9	0.7	0.7	0.5	0.4
External, net	1.0	0.2	0.1	0.1	0.1	0.1	1.7	1.6	1.0	2.0
Project loans	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.5
Program loans [3]	0.7	0.0	0.0	0.0	0.0	0.0	1.6	1.5	0.8	1.7
Amortization	-0.1	-0.5	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic, net	0.9	1.9	2.2	2.5	-0.1	0.7	-1.0	-0.9	-0.6	-1.6
Banking system	0.0	1.9	2.5	2.5	-0.1	0.7	-1.2	-1.0	-0.7	-1.7
BEAC	0.7	2.1	2.8	2.7	0.1	0.9	-1.0	-0.8	-0.5	-1.6
of which: Counterpart to IMF resources (BEAC)	1.8	2.2	2.2	0.8	0.8	-0.3	-0.3	-0.5	-0.8	-1.2
Commercial banks	-0.6	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Nonbank	0.3	0.0	-0.3	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Exceptional financing [4]	0.5	0.0	0.0	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	0.0
Memorandum items:										
Total government debt	49.4	48.5	48.8	42.2	43.4	38.2	36.4	34.2	31.4	29.2
Government domestic debt [5]	16.2	12.8	13.9	8.2	10.2	7.8	6.9	5.9	5.1	4.3

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] Budget support loans to be identifed from 2021 to 2024

[4] Loan agreements with commercial banks.

[5] Including domestic arrears.

Table 3. Central African Republic: Monetary Survey, 2017–24

	2017	2018				2019					2020	2021	2022	2023	2024
		Q2	Q3	Q4	Q4	Q1	Q2	Q3	Q4	Q4					
	Est.	Est.	Est.	5th Rev.	Est.	Proj.	Proj.	Proj.	5th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(CFAF billions, unless otherwise indicated)														
Net foreign assets	103.7	96.7	89.9	82.4	79.8	61.8	88.2	96.8	80.0	121.7	157.2	206.0	250.4	287.8	346.8
Bank of Central African States (BEAC)	74.0	55.1	59.8	52.8	52.1	33.4	59.4	67.5	50.4	91.9	125.2	171.5	213.2	247.8	303.7
Commercial banks	29.6	41.6	30.1	29.6	27.7	28.4	28.8	29.3	29.6	29.7	32.0	34.5	37.2	40.0	43.1
Net domestic assets	197.0	218.0	236.6	225.2	263.1	312.2	265.2	275.7	263.4	269.8	287.3	276.6	267.6	264.2	239.5
Domestic credit	319.7	336.6	354.3	347.9	371.0	404.2	365.1	383.5	386.1	385.5	411.9	410.7	412.1	419.8	407.0
Credit to the public sector	173.0	187.2	195.0	195.4	207.4	236.6	198.9	198.3	228.5	206.1	217.0	198.7	181.9	169.8	135.8
Credit to central government (net)	173.0	187.2	195.0	195.4	207.4	236.6	198.9	198.3	228.5	206.1	217.0	198.7	181.9	169.8	135.8
BEAC	162.1	179.0	185.6	187.3	200.5	221.4	187.5	190.6	223.2	202.1	216.0	200.7	187.1	178.2	147.6
Loans/counterpart SDR	115.2	115.7	115.7	112.6	115.9	116.5	116.5	116.5	112.6	115.9	115.9	115.9	108.6	101.1	93.4
IMF (net)	87.2	84.2	99.8	114.3	117.3	117.0	114.0	129.0	124.7	128.3	123.9	119.2	110.3	96.1	73.2
Deposits	-40.2	-20.9	-29.9	-39.6	-32.8	-12.1	-43.1	-55.0	-14.2	-42.2	-23.9	-34.4	-31.8	-19.0	-19.0
Commercial banks	10.9	8.2	9.4	8.1	6.9	15.1	11.4	7.7	5.3	4.0	1.1	-2.0	-5.2	-8.4	-11.8
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	0.0	0.0
Credit to the economy	146.7	149.5	159.4	152.5	163.6	167.6	166.1	185.1	157.6	179.4	194.9	212.1	230.2	250.1	271.2
Public enterprises	1.2	4.6	2.6	1.2	3.6	3.3	3.3	3.3	1.2	3.6	3.6	3.6	3.6	3.6	3.6
Private sector	145.6	144.8	156.7	151.4	160.0	164.3	162.8	181.8	156.4	175.8	191.3	208.5	226.6	246.5	267.7
Other items (net)	-122.7	-118.6	-117.8	-122.7	-107.9	-91.9	-99.9	-107.8	-122.7	-115.7	-124.6	-134.1	-144.5	-155.6	-167.6
Money and quasi-money	300.7	314.8	326.5	307.7	343.0	354.0	353.4	372.5	343.4	391.5	444.5	482.7	518.0	552.0	586.2
Currency	162.1	168.3	173.7	168.3	183.7	186.8	195.5	204.2	191.2	212.9	243.3	262.0	280.2	295.9	310.5
Deposits	138.6	146.4	152.8	139.3	159.3	167.2	157.9	168.2	152.3	178.5	201.3	220.7	237.8	256.1	275.7
Demand deposits	79.9	90.2	93.3	77.2	97.8	103.5	104.0	108.9	83.5	113.9	132.6	146.8	158.1	170.4	183.4
Term and savings deposits	58.7	56.2	59.6	62.1	61.5	63.7	54.0	59.3	68.7	64.7	68.6	73.9	79.6	85.8	92.3
	(Annual percentage change)														
Net foreign assets	89.7	0.9	-12.2	-20.5	-23.0	-25.5	-8.8	7.6	-2.9	52.4	29.2	31.1	21.5	14.9	20.5
Net domestic assets	-29.5	69.6	96.5	15.6	33.5	115.9	21.6	16.5	8.8	2.5	6.5	-3.7	-3.3	-1.3	-9.4
Monetary base	25.0	7.0	12.3	7.4	12.1	16.1	18.9	17.3	8.2	12.2	2.7	7.7	7.7	7.7	7.7
Credit to the economy	1.4	6.1	19.6	5.5	11.5	8.8	11.2	16.2	3.3	9.7	8.6	8.8	8.5	8.6	8.5
Public enterprises	-65.3	45.5	-14.3	0.0	204.5	28.8	-27.5	27.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	3.0	5.2	20.4	5.6	9.9	8.4	12.4	16.0	3.3	9.9	8.8	9.0	8.7	8.8	8.6
Memorandum items:															
NDA of the central bank (CFAF billions)	128.5	144.6	149.9	164.8	174.8	195.4	178.0	178.6	184.9	162.8	136.3	110.0	90.1	79.0	48.1
Monetary base (CFAF billions)	202.5	199.8	209.7	217.6	226.9	228.8	237.4	246.0	235.3	254.7	261.5	281.6	303.3	326.8	351.8
Nominal GDP (CFAF billions)	1203	…	…	1209	1267	…	…	…	1308	1359	1463	1575	1697	1828	1968
Velocity (GDP/broad money)															
End of period	4.0	…	…	3.9	3.7	…	…	…	3.8	3.5	3.3	3.3	3.3	3.3	3.4

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

Table 4a. Central African Republic: Balance of Payments, 2017–24

(CFAF billions)

	2017	2018		2019		2020	2021	2022	2023	2024
	Est.	5th Rev.	Est.	5th. Rev.	Proj.			Proj.		
Current account	-94.1	-104.3	-100.6	-98.9	-50.7	-71.2	-80.1	-90.6	-95.6	-101.0
Balance on goods	-170.0	-206.5	-188.5	-216.1	-184.2	-192.2	-195.7	-203.6	-215.5	-226.9
Exports, f.o.b.	85.6	89.9	91.1	99.7	94.7	101.7	109.9	118.9	125.6	132.6
of which: Diamonds	5.3	7.2	5.0	9.2	2.6	3.1	3.6	4.3	4.7	5.0
of which: Wood products	53.5	56.0	56.8	60.8	59.7	63.6	68.5	73.8	76.7	80.1
Imports, f.o.b.	-255.6	-296.4	-279.6	-315.7	-278.9	-293.9	-305.7	-322.5	-341.0	-359.6
of which: Petroleum products	-68.6	-91.8	-87.5	-97.7	-79.8	-82.7	-81.8	-86.2	-91.7	-95.6
Services (net)	-28.0	-20.8	-36.6	-5.0	-34.0	-31.1	-28.0	-28.2	-28.3	-28.4
Credit	106.0	116.2	110.7	121.9	116.1	121.9	128.0	131.6	135.3	139.2
Debit	-134.0	-136.9	-147.3	-126.9	-150.1	-153.0	-156.0	-159.7	-163.6	-167.6
Income (net)	-2.0	-1.6	-1.6	-2.2	-2.0	-2.0	-1.9	-1.8	-1.7	-1.6
Credit	12.1	12.6	12.6	13.3	13.1	13.8	14.5	15.2	15.9	16.7
Debit	-14.1	-14.2	-14.1	-15.5	-15.1	-15.8	-16.4	-17.0	-17.6	-18.4
Transfers (net)	105.8	124.6	126.0	124.4	169.5	154.2	145.5	142.9	149.8	155.9
Private	67.5	68.6	70.6	69.6	71.7	76.2	80.9	84.0	87.2	90.5
Official	38.3	56.0	55.4	54.8	97.8	78.0	64.7	58.9	62.7	65.4
of which: Program	21.2	37.5	37.6	37.2	80.2	55.0	37.8	28.3	29.4	29.4
Capital account	39.4	62.5	60.6	68.7	68.7	75.9	73.0	78.9	85.0	90.5
Project grants	39.4	62.5	60.6	68.7	68.7	75.9	73.0	78.9	85.0	90.5
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	38.3	20.5	20.7	27.8	21.9	27.2	52.0	51.8	43.4	64.5
Direct investment	9.5	10.0	10.0	15.0	15.0	20.0	20.0	20.0	20.0	22.0
Portfolio investment	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	28.6	10.5	10.5	12.8	6.9	7.2	32.0	31.8	23.4	42.5
Public sector (net)	12.6	1.8	1.8	1.8	1.9	2.2	27.0	26.8	18.4	37.5
Project disbursement	5.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Program disbursement	8.8	0.0	0.0	0.0	0.0	0.0	25.0	25.0	13.8	33.7
Scheduled amortization	-1.8	-5.7	-5.7	-5.7	-5.6	-5.3	-5.5	-5.7	-2.9	-3.7
Monetary authorities (SDR allocation)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other short-term flows	16.0	8.7	8.7	11.0	5.0	5.0	5.0	5.0	5.0	5.0
Errors and omissions	51.9	0.0	-2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	35.4	-21.3	-22.0	-2.4	39.8	31.9	44.9	40.0	32.8	54.0
Identified financing	-35.4	21.2	22.0	2.4	-39.8	-31.9	-44.9	-40.1	-32.8	-54.0
Net IMF credit	21.9	27.1	27.8	10.4	11.0	-4.4	-4.8	-8.9	-14.3	-22.9
IMF purchase	-31.5	-35.0	-35.9	-17.3	-18.3	0.0	0.0	0.0	0.0	0.0
IMF repurchase	9.5	7.9	8.1	6.9	7.3	4.4	4.8	8.9	14.3	22.9
Other reserves (increase = -)	-54.8	-4.9	-5.8	-8.0	-50.8	-27.5	-40.1	-31.2	-18.6	-31.1
Exceptional financing	-2.5	-1.0	0.0	0.0	0.0	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	0.0
Other exceptional financing	-2.5	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt payment arrears (reduction=-)	-2.5	-1.0	0.0	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	-0.1	0.0	0.0	0.0	0.1	0.1
Memorandum items:										
Terms of trade (percent change)	-18.5	-13.4	-11.7	0.2	5.7	-0.4	0.6	-0.3	0.6	1.2
Unit price of exports	-11.7	-4.5	-3.5	0.5	1.2	-0.4	-0.2	-0.2	0.4	0.5
Unit price of imports	8.4	10.3	9.3	0.3	-4.3	0.0	-0.8	0.1	-0.2	-0.6
Current account (percent of GDP)	-7.8	-8.6	-7.9	-7.6	-3.7	-4.9	-5.1	-5.3	-5.2	-5.1
Capital account (percent of GDP)	3.3	5.2	4.8	5.3	5.1	5.2	4.6	4.6	4.6	4.6
Nominal GDP (CFAF billions)	1,203	1,209	1,267	1,308	1,359	1,463	1,575	1,697	1,828	1,968

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

Table 4b. Central African Republic: Balance of Payments, 2017–24
(Percent of GDP)

	2017	2018		2019		2020	2021	2022	2023	2024
	Est.	5th Rev.	Est.	5th Rev.	Proj.			Proj.		
Current account	-7.8	-8.6	-7.9	-7.4	-3.6	-4.9	-5.1	-5.3	-5.2	-5.1
Balance on goods	-14.1	-17.1	-14.9	-16.5	-13.6	-13.1	-12.4	-12.0	-11.8	-11.5
Exports, f.o.b.	7.1	7.4	7.2	7.6	7.0	7.0	7.0	7.0	6.9	6.7
of which: Diamonds	0.4	0.6	0.4	0.7	0.2	0.2	0.2	0.3	0.3	0.3
of which: Wood products	4.4	4.6	4.5	4.6	4.4	4.3	4.3	4.3	4.2	4.1
Imports, f.o.b.	-21.2	-24.5	-22.1	-24.1	-20.5	-20.1	-19.4	-19.0	-18.7	-18.3
of which: Petroleum products	-5.7	-7.6	-6.9	-7.5	-5.9	-5.7	-5.2	-5.1	-5.0	-4.9
Services (net)	-2.3	-1.7	-2.9	-0.4	-2.5	-2.1	-1.8	-1.7	-1.5	-1.4
Credit	8.8	9.6	8.7	9.3	8.5	8.3	8.1	7.8	7.4	7.1
Debit	-11.1	-11.3	-11.6	-9.7	-11.0	-10.5	-9.9	-9.4	-8.9	-8.5
Income (net)	-0.2	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Credit	1.0	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9
Debit	-1.2	-1.2	-1.1	-1.2	-1.1	-1.1	-1.0	-1.0	-1.0	-0.9
Transfers (net)	8.8	10.3	9.9	9.5	12.5	10.5	9.2	8.4	8.2	7.9
Private	5.6	5.7	5.6	5.3	5.3	5.2	5.1	4.9	4.8	4.6
Official	3.2	4.6	4.4	4.2	7.2	5.3	4.1	3.5	3.4	3.3
of which: Program	1.8	3.1	3.0	2.8	5.9	3.8	2.4	1.7	1.6	1.5
Capital account	3.3	5.2	4.8	5.3	5.1	5.2	4.6	4.6	4.6	4.6
Project grants	3.3	5.2	4.8	5.3	5.1	5.2	4.6	4.6	4.6	4.6
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	3.2	1.7	1.6	2.1	1.6	1.9	3.3	3.1	2.4	3.3
Direct investment	0.8	0.8	0.8	1.1	1.1	1.4	1.3	1.2	1.1	1.1
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.4	0.9	0.8	1.0	0.5	0.5	2.0	1.9	1.3	2.2
Public sector (net)	1.0	0.2	0.1	0.1	0.1	0.1	1.7	1.6	1.0	1.9
Project disbursement	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.4
Program disbursement	0.7	0.0	0.0	0.0	0.0	0.0	1.6	1.5	0.8	1.7
Scheduled amortization	-0.1	-0.5	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2
Monetary authorities (SDR allocation)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other short-term flows	1.3	0.7	0.7	0.8	0.4	0.3	0.3	0.3	0.3	0.3
Errors and omissions	4.3	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	2.9	-1.8	-1.7	-0.2	2.9	2.2	2.8	2.4	1.8	2.7
Identified financing	-2.9	1.8	1.7	0.2	-2.9	-2.2	-2.8	-2.4	-1.8	-2.7
Net IMF credit	1.8	2.2	2.2	0.8	0.8	-0.3	-0.3	-0.5	-0.8	-1.2
IMF purchase	-2.6	-2.9	-2.8	-1.3	-1.3	0.0	0.0	0.0	0.0	0.0
IMF repurchase	0.8	0.7	0.6	0.5	0.5	0.3	0.3	0.5	0.8	1.2
Other reserves (increase = -)	-4.6	-0.4	-0.5	-0.6	-3.7	-1.9	-2.5	-1.8	-1.0	-1.6
Exceptional financing	-0.2	-0.1	0.0	0.0	0.0	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	0.0
Other exceptional financing	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt payment arrears (reduction=-)	-0.2	-0.1	0.0	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	0.0
Memorandum items:										
Terms of trade (percent change)	-18.5	-13.4	-11.7	0.2	5.7	-0.4	0.6	-0.3	0.6	1.2
Unit price of exports	-1.0	-0.4	-0.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Unit price of imports	0.7	0.9	0.7	0.3	-4.3	0.0	-0.1	0.0	0.0	0.0
Nominal GDP (CFAF billions)	1,203	1,209	1,267	1,308	1,359	1,463	1,575	1,697	1,828	1,968

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

Table 5. Central African Republic: External Financing Needs, 2019–24
(CFAF billions)

	2019	2020	2021	2022	2023	2024
	Projection					
1. Total financing requirements	194.7	163.4	168.3	164.7	160.7	188.2
Current account deficit (excl. budget support)	130.9	126.2	117.9	118.9	125.0	130.4
Debt amortization	5.6	5.3	5.5	5.7	2.9	3.7
Repayment to the Fund	7.3	4.4	4.8	8.9	14.3	22.9
Change in other reserves	50.8	27.5	40.1	31.2	18.6	31.1
Arrears Repayment	…	…	…	…	…	…
2. Total available financing	96.2	108.4	105.5	111.4	117.5	125.0
Capital transfers	68.7	75.9	73.0	78.9	85.0	90.5
Foreign direct investment (net)	15.0	20.0	20.0	20.0	20.0	22.0
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
Other net capital inflows	5.0	5.0	5.0	5.0	5.0	5.0
3. Financing gap	**98.5**	**55.0**	**62.8**	**53.3**	**43.2**	**63.1**
4. Expected sources of financing	80.2	55.0	62.8	53.3	43.2	63.1
of which: Budget support (grants)	80.2	55.0	37.8	28.3	29.4	29.4
World Bank	57.2	28.3	11.2	…	…	…
African Development Bank	0.0	5.7	5.6	…	…	…
European Union	16.4	14.4	14.4	…	…	…
France	6.6	6.6	6.6	…	…	…
Other	0.0	0.0	0.0	…	…	…
of which: Budget support (loans)[1]	0.0	0.0	25.0	25.0	13.8	33.7
5. Residual financing need	18.3	0.0	0.0	0.0	0.0	0.0
ECF program	18.3	0.0	0.0	0.0	0.0	0.0

Source: IMF staff projections.

[1] Budget support loans to be identified.

Table 6. Central African Republic: Sustainable Development Goals, 2000–17

Goal	Indicator	2000	2008	2015	2016	2017
1	*No poverty*					
	Poverty headcount ratio at $1.90 a day (2011 PPP) (% of population	...	66.3	...	...	...
2	*Zero hunger*					
	Prevalence of undernourishment (% of population)	42.6	34.7	58.6	...	...
3	*Good health and wellbeing*					
	Maternal mortality ratio (modeled estimate, per 100,000 live births)	1200	963	882	...	...
4	*Quality education*					
	Primary completion rate, female (% of relevant age group)	...	25.9	...	33.5	...
	Primary completion rate, male (% of relevant age group)	...	44.3	...	50.9	...
	Primary completion rate, total (% of relevant age group)	...	35.1	...	42.2	...
5	*Gender equality*					
	Proportion of seats held by women in national parliaments (%)	7.3	10.5	...	7.2	8.6
6	*Clean water and sanitation (not available)*					
7	*Affordable and clean energy*					
	Access to electricity (% of population)	6.0	9.4	13.4	14.0	...
8	*Decent work and economic growth*					
	GDP per capita growth (annual %)	-4.5	0.4	2.8	2.6	2.4
9	*Industry, innovation, and infrastructure*					
	Manufacturing, value added (% of GDP)	5.9	6.3	6.8	...	...
	Manufacturing, value added (annual % growth)	-4.9	10.2	2.1	...	...
10	*Reduced inequalities*					
	Foreign direct investment, net inflows (% of GDP)	0.1	5.9	0.2	1.8	...
11	*Sustainable cities and communities*					
	Urban population (% of total)	37.6	38.5	40.0	40.3	40.6
	Urban poverty gap at national poverty lines (%)	...	29.8	...	...	...
12	*Responsible consumption and production*					
	Mineral rents (% of GDP)	...	0.0	0.1	0.1	...
	Coal rents (% of GDP)	...	...	...	...	...
	Forest rents (% of GDP)	11.2	11.8	14.7	13.4	...
13	*Climate action (not available)*					
14 & 15	*Life below water; life on land*					
	Terrestrial and marine protected areas (% of total territorial area)	0.0	...	...	18.1	...
	Terrestrial protected areas (% of total land area)	0.0	...	...	18.1	...
16	*Peace and justice: strong institutions*					
	Battle-related deaths (number of people)	...	...	...	...	...
17	*Partnerships for the goals*					
	Internet users (per 100 people)	0.1	1.0	4.6	...	...

Sources: UN Statistics Office, IMF and World Bank Development Indicators

Table 7. Central African Republic: Treasury Cash Management Plan, 2019
(CFAF millions)

	Actual			Projection									Total 2019
	January	February	March	April	May	June	July	August	September	October	November	December	
Deposits beginning of month (I)[1]	**31,487**	**23,127**	**18,696**	**9,379**	**5,612**	**51,275**	**43,804**	**52,799**	**61,917**	**55,007**	**47,565**	**46,348**	**31,487**
Gross cash inflows (II)	**13360**	**9486**	**8704**	**17217**	**69165**	**15861**	**29265**	**28365**	**11965**	**11865**	**23817**	**11865**	**250935**
Domestic Revenue	9464	9486	8704	11865	11965	11965	11965	11965	11965	11865	11865	11865	134,939
Revenue Customs	4432	4221	3333	5000	5000	5000	5000	5000	5000	4900	4900	4900	56,686
Revenue Tax	4145	4557	4401	4900	5000	5000	5000	5000	5000	5000	5000	5000	58,003
Other revenue	256	69	328	1,325	1,325	1,325	1,325	1,325	1,325	1,325	1,325	1,325	12,578
of which: Public Agencies	0	0	0	916	916	916	916	916	916	916	916	916	8,244
of which: Menues Recettes	256	69	328	409	409	409	409	409	409	409	409	409	4,334
Salary Tax	631	639	642	640	640	640	640	640	640	640	640	640	7,672
Financing	3,896	0	0	5,352	57,200	3,896	17,300	16,400	0	0	11,952	0	115,996
Treasury securities	3,896	0	0	5,352	0	3,896	0	0	0	0	5,352	0	18,496
Other budget support	0	0	0	0	57,200	0	17,300	16,400	0	0	6,600	0	97,500
World Bank	0	0	0	0	57,200	0	0	0	0	0	0	0	57,200
African Development Bank	0	0	0	0	0	0	0	0	0	0	0	0	0
IMF Disbursements	0	0	0	0	0	0	17,300	0	0	0	0	0	17,300
European Union	0	0	0	0	0	0	0	16,400	0	0	0	0	16,400
France	0	0	0	0	0	0	0	0	0	0	6,600	0	6,600
Depot des correspondants													
Gross cash outflows (III)	**21,720**	**13,917**	**18,021**	**20,984**	**23,502**	**23,332**	**20,270**	**19,247**	**18,875**	**19,307**	**25,034**	**21,507**	**245,716**
Primary expenditure	9,100	9,746	12,329	15,207	15,236	15,267	15,267	15,267	15,267	15,267	15,267	15,267	168,487
Wages	4,428	4,584	4,529	4,612	4,641	4,672	4,672	4,672	4,672	4,672	4,672	4,672	63,170
add f.i. salary charges	631	639	642	640	640	640	640	640	640	640	640	640	
Transfers	1,271	1,760	2,564	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	38,895
of which: pensions	692	718	735	900	900	900	900	900	900	900	900	900	10,245
of which: public agencies	0	0	0	594	594	594	594	594	594	594	594	594	5,346
of which: others	579	1,042	1,829	2,206	2,206	2,206	2,206	2,206	2,206	2,206	2,206	2,206	23,304
Goods and services	1,949	1,873	2,997	3,665	3,665	3,665	3,665	3,665	3,665	3,665	3,665	3,665	39,804
Capital	649	706	1,431	2,590	2,590	2,590	2,590	2,590	2,590	2,590	2,590	2,590	26,096
Regies des Ministeres	22	21	48										91
Depenses des Provinces	150	163	118										431
Interest and Amortization	6,211	491	1,836	3,577	6,066	5,865	2,203	1,180	808	1,240	6,592	2,565	38,634
Domestic	6,024	404	1,389	291	5,900	5,565	1,899	1,064	692	290	6,542	1,565	31,625
of which: IMF repayments	1,734	0	697	0	0	873	1,609	660	0	0	638	873	7,084
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	114	0	1	110	0	0	114	0	0	114	0	453
of which: BEAC Repayments	0	0	402	0	0	402	0	0	402	0	0	402	1,608
of which: Commercial Banks	290	290	290	290	290	290	290	290	290	290	290	290	3,480
External	187	87	447	3,286	166	300	304	116	116	950	50	1,000	7,009
of which: Interest	38	44	322	1,186	144	100	42	45	45	50	50	200	2,266
of which: Amortizations	149	43	125	2,100	22	200	262	71	71	900	0	800	4,743
Arrears payments	5,893	3,655	3,156	2,000	2,000	2,000	2,600	2,600	2,600	2,600	2,975	3,475	35,554
of which: Pension arrears	180	513	417	200	200	200	200	200	200	200	200	200	2,910
of which: Wage arrears	4,445	264	2,565	1,400	1,400	1,400	2,000	2,000	2,000	2,000	2,375	2,875	24,724
of which: Other	1,268	2,878	174	400	400	400	400	400	400	400	400	400	7,920
Retrait des correspondants	516	25	700	200	200	200	200	200	200	200	200	200	3,041
Net cash flow (=II-III)	**-8,360**	**-4,431**	**-9,317**	**-3,767**	**45,663**	**-7,471**	**8,995**	**9,118**	**-6,910**	**-7,442**	**-1,217**	**-9,642**	**5,219**
Deposits at end of month (=I+(II-III))[1]	**23,127**	**18,696**	**9,379**	**5,612**	**51,275**	**43,804**	**52,799**	**61,917**	**55,007**	**47,565**	**46,348**	**36,706**	**36,706**

Source: Data provided by the authorities and staff calculations.

[1] Freely usable deposits.

Table 8. Central African Republic: Budget Support, 2019–21

	Commitments for 2019		Projections for 2020		Projections for 2021		Purpose
		CFA francs, bn		CFA francs, bn		CFA francs, bn	
IMF	SDR 22.84 million	17.3					BoP support
World Bank	US$ 100 million	57.2	US$ 50 million	28.3	US$ 20 million	11.2	Budget support
African Development Bank	US$ 0 million	0.0	US$ 10 million	5.7	US$ 10 million	5.6	Budget support
European Union	€ 25 million	16.4	€ 22 million	14.4	€ 22 million	14.4	Budget support
France	€ 10 million	6.6	€ 10 million	6.6	€ 10 million	6.6	Budget support
Total		97.5		54.9		37.9	
excluding IMF		**80.2**		**54.9**		**37.9**	

Table 9. Central African Republic: Indicators of Capacity to Repay the IMF, 2019–29

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
IMF obligations based on existing credit											
(SDR millions)											
Principal	6.11	5.35	5.85	10.86	17.49	25.79	24.40	22.17	17.16	9.14	0.00
Charges and interest	0.44	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59
IMF obligations based on existing and prospective credit											
(SDR millions)											
Principal	6.11	5.35	5.85	10.86	17.49	25.79	28.96	26.74	24.01	11.42	4.57
Charges and interest	0.44	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59
IMF obligations based on existing and prospective credit											
(CFA billions)											
Principal	4.98	4.36	4.77	8.85	14.25	21.02	23.60	21.79	19.57	9.31	3.72
Charges and interest	0.36	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
Outstanding IMF Credit											
SDR Millions	161.0	155.7	149.8	139.0	121.5	95.7	66.7	40.0	16.0	4.6	0.0
CFAF Billions	128.8	124.4	119.7	111.0	97.0	76.4	53.3	32.0	12.8	3.7	0.0
Percent of government revenue	93.0	82.4	71.6	60.0	47.6	34.1	22.4	12.6	4.8	1.3	0.0
Percent of exports of goods and services	57.5	52.2	47.2	41.4	34.7	26.1	17.3	9.9	3.8	1.0	0.0
Percent of debt services	746.1	891.0	830.5	598.0	465.0	254.0	165.5	104.1	48.0	18.3	0.0
Percent of GDP	9.5	8.5	7.6	6.5	5.3	3.9	2.5	1.4	0.5	0.1	0.0
Percent of quota	144.6	139.7	134.5	124.7	109.1	85.9	59.9	35.9	14.4	4.1	0.0
Net use of IMF credit (SDR millions)											
Disbursements	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	6.6	5.9	6.4	11.5	18.1	26.4	29.6	27.3	24.6	12.0	5.2
Memorandum items:											
Nominal GDP (billions of CFA francs)	1361.5	1466.1	1578.6	1701.1	1833.1	1972.7	2101.4	2238.0	2373.1	2516.2	2668.4
Exports of goods and services (billions of CFA francs)	224.1	238.1	253.8	267.9	279.9	292.4	307.5	323.0	338.9	355.7	373.4
Government revenue (billions of CFA francs)	138.4	151.0	167.2	184.9	203.9	224.4	237.4	252.8	268.1	284.3	301.5
Debt service (billions of CFA francs)	17.3	14.0	14.4	18.6	20.9	30.1	32.2	30.7	26.6	20.0	11.0
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

Source: IMF staff projections.

Table 10. Central African Republic: Financial Soundness Indicators, Dec. 2011–Dec. 2018

(Percent, end of period)

Concept	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Jun-18	Dec-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	28.5
Total capital (net worth) to assets	22.3	22.2	23.7	21.9	21.1	19.2	21.0	20.6	21.3
Asset Quality									
Non-performing loans to total loans	12.0	9.6	28.5	27.7	30.9	25.6	22.9	22.0	15.6
Non-performing loans net of provision to capital	3.3	1.6	50.0	44.4	34.9	18.7	4.3	5.2	0.6
Earnings and Profitability									
Net income to average assets (ROA)	5.0	4.5	-1.3	0.9	-0.9	0.8	0.9	2.6	4.0
Net income to average capital (ROE)	24.4	20.7	-5.4	3.8	-4.0	4.2	4.8	12.7	18.8
Non interest expense to gross income	59.9	64.0	79.5	73.6	72.8	67.3	88.6	79.2	76.7
Liquidity									
Liquid assets to total assets	24.3	16.6	19.2	27.5	40.0	31.9	30.7	27.1	29.9
Liquid assets to short-term liabilities	160.7	114.5	149.1	203.1	276.1	219.6	227.4	186.6	198.6

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

Table 11. Central African Republic: Schedule of Disbursements, 2016–19

Condition for Disbursement	Availability 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 12. Central African Republic: Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Impact If Realized	Policy Response if Materialized
Rising protectionism and retreat from multilateralism	**High**	**Medium** Escalating and sustained trade actions threaten the global trade system, with adverse effects on the price of C.A.R. exports.	Intensify structural reform and improve business environment to support diversification.
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.
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).
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.

Annex I. Capacity Building Framework Strategy

Updated May 2019

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 technical assistance (TA) is key to ensure the success of reforms under the program. Since January 2017, the authorities have implemented their capacity building strategy in the context of the Capacity Building Framework (CBF) pilot project. The CBF strategy has been updated early in 2019, based on progress achieved during 2017–19 and CD needs going forward in the context of a possible successor ECF arrangement. This note presents the updated capacity development strategy for 2019–22, expected objectives, and TA priorities. 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. Policy Priorities

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) promoting fiscal governance and accountability, returning to normal budget procedures and improving the efficiency of the public spending process, including the capital spending framework; (iii) building macroeconomic programming capacity; (iv) strengthening debt management capacity and improving debt management strategy; and (v) improving data compilation in the national accounts, 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 TA 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 (EU), France, and the WB developed TA programs and posted several long-term experts covering budget, customs, and aid management. During 2014–15, delivery of Fund TA was hampered by the suspension of TA missions owing to the deterioration of security conditions. However, AFRITAC Central organized several offsite TA/training seminars on public financial management, revenue mobilization, debt management, government finance statistics and national accounts.

4. **From April 2016–December 2018, CD focused on program reform objectives** notably domestic revenue mobilization, budget preparation and implementation, and debt management. Fund CD was also delivered on public finance statistics, BOP statistics and national accounts. The Fund organized the first in country training on macroeconomic programming in Bangui under

the CEMAC regional training program. Coordination with other donors—which had been progressively handled by the authorities—has been effective. CD success stories include the revamping of the revenue collection agreement with commercial banks, which eliminated discrepancies between revenue reported by tax and customs administration and the treasury; the publication of quarterly budget execution reports; the establishment and dissemination of national accounts for 2013–17 aligned with the 1993 System of National Accounts (SNA); the publication of BOP statistics for 2008–15; and the strengthening of the debt unit organization and reporting. Operationalization of tax policy and PFM advice to reform parafiscal taxes and direct revenue to the treasury single account (TSA) is progressing, though reforms take more time than expected owing to weak absorptive capacity and insufficient monitoring of recommendations.

C. TA Priorities Going Forward

5. **In support of the policy priorities, CD priorities to be covered by the Fund continue to be**: (i) tax policy and revenue administration; (ii) public financial management and governance; (iii) macroeconomic programming; (iv) public debt management; (v) statistics issues on national accounts, government finance statistics and the external sector; and (vi) implementation of the program budget. CD will continue to be aligned with Fund program and surveillance priorities Accordingly, the CD priorities for 2019–22 Fund CD are shown in the following tables.

D. Risks and Mitigation Measures

6. **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.

E. Authorities' Commitments

7. **The C.A.R. authorities are committed to continue to rebuild capacity to ensure successful implementation of the ECF arrangement.** TA was delivered in 2016-2018 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 2019–2020, the authorities have reached an understanding with the Fund on the updated 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, and macro-fiscal capacity. Building on progress during 2017–18, the outcomes will be further strengthening the institutional framework to increasing revenue; enhancing spending efficiency; restoring budget discipline; strengthening debt management; building core macro-fiscal capacity; and implementing program budgeting. They are also looking forward to continuing taking full advantage of additional TA provided by the

Fund under the CBF pilot on tax policy, revenue administration, PFM, national accounts data compilation, GFS and external trade data (Tables 1–3).

8. **Under the CBF, the authorities are progressively taking the lead in coordinating CD from various donors,** including the Fund, WB, EU, African Development Bank (AfDB), UNDP and France. They have committed to establish a CD coordination committee to prioritize CD objectives, coordinate CD delivery plans to avoid overburden on officials, monitor implementation of recommended reforms and identify measures to address unsatisfactory CD outcomes.

Tax Policy and Administration (2019–22)	
• Objective:	Achieve more effective and efficient mobilization of domestic resources by: (i) rationalizing tax and customs exemptions; (ii) strengthening the tax and customs administration; and (iii) reforming diamond, telecom, and forestry taxation and rationalizing parafiscal charges.
• Outcomes:	(i) improved compliance enforcement of VAT and income tax filing; (ii) strengthened tax and customs operations; (iii) reduced tax exemptions; (iv) rationalized parafiscal taxation; and (v) improved domestic revenue.
• Milestones:	(i) improve revenue from the forestry and mining sectors (2018); (ii) implement tax laws and streamline tax exemptions; (iii) eliminate parafiscal taxes without economic interest; and (iv) streamline and modernize processes for large and medium-sized taxpayers/ importers, digitalize declaration and payment procedures, exchange customs and tax administration data to prevent and combat tax fraud.
• Input:	(i) HQ-led follow-up FAD TA missions to update action plans; (ii) under the revenue mobilization TTF (RMTF), HQ-led follow up tax administration mission and peripatetic visits of the regional tax administration advisor to monitor reform implementation; and (iii) follow-up mission by AFRITAC experts.
• Assumptions:	(i) improved tax and custom services and digitalization facilitate better compliance; (ii) improved taxation on the diamond, and forestry sectors; and (iii) strong commitment to implementing potentially difficult reforms (e.g., rationalize parafiscal taxes and tax and customs exemptions).
Public Finance Management (2019–22)	
• Objective:	(i) Comprehensive, credible, and policy-based budget preparation; (ii) improved budget execution and control; (iii) improved coverage and quality of fiscal reporting to cover State-Owned Enterprises (SOEs); (iv) strengthened governance; and (v) understanding of program budgeting procedures.
• Outcomes:	(i) More credible medium-term macro-fiscal framework that supports budget preparation; (ii) strengthened budget execution and controls; (iii) control and limitation of exceptional spending procedures and frequency of monitoring; (iv) existence of payroll controls; (v) alignment of the chart of accounts and budget classifications with CEMAC and international standards; and (vi) progressive development of program budgeting framework.
• Milestones:	(i) Streamlining the budget execution procedures, including exceptional and emergency procedures; (ii) strengthening of SOEs oversight; (iii) aligning management of earmarked revenues and parafiscal tax revenues with best practices; and (iv) development of the medium-term spending framework and medium-term budget framework for pilot departments.
• Input:	(i) HQ-led TA missions on PFM; and (ii) follow-up missions 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 2019–22)	
• Objective:	Building debt management capacity and improving the debt management strategy.
• Outcomes:	(i) Further modernize the institutional, legal and regulatory framework for public debt management; (ii) improve debt management strategy and reporting; (iii) strengthen analytical and operational capabilities of debt managers; and (iv) develop DSA capacities of staff.
• Milestones:	(i) Review improvements of the institutional and regulatory framework for public debt management; (ii) improve debt management strategy; and (iii) strengthen reporting on debt.
• Input:	AFRITAC advisor and experts visits on debt management with support from HQ on: (i) the institutional, legal and regulatory framework for debt management; (ii) debt reporting; (iii) debt portfolio and risk management, including MTDS; and (iv) debt sustainability analysis and LIC DSA.
• Assumption:	Commitment toward strengthening debt management.
Statistical Issues on National Accounts, Government Finance Statistics, and the External Sector (2019–22))	
• Objective:	Produce more accurate statistics on annual and progressively quarterly national accounts, government finance statistics, and external sector.
• Outcomes:	Improve economic policy making and inform private sector decisions.
• Milestones:	For national accounts, improve and disseminate the compilation of annual national accounts aligned with 2008 SNA. 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, 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, short term experts visit under the TA project funded by the Japanese government, launched in 2017, and targeting beneficiary francophone countries, including all CEMAC member states. For government finance statistics, visits by AFRITAC resident advisor and experts to help implement the TOFE CEMAC directive.
• Assumptions:	(ii) Availability of human and financial resources; (ii) collaboration between national agencies involved in statistics.

Risk	***Probability***	***Impact***	***Mitigation Measures***
Persistently delicate and fluid security situation			
Security 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.
Governance and implementation capacity constraints			
Governance issues and 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 enough energy to power computers and office equipment. High staff turnover weakens CD effectiveness.	***High***	***High***	The authorities have expressed interest for an IMF diagnostic mission to help identify main governance issues. As part of their CBF pilot, they are committed to improve governance and coordinate CD inputs and make the best use of the TA that will be provided by the development partners and the Fund, and limit staff turnover.
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.

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

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-Debt management
	STA	AFC-Government finance statistics
Mar-17	FAD	AFC-Revenue administration
	FAD	Public finance management
	FAD	AFC-Public finance management
	MCM	AFC-Debt 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- Debt management
Nov-17	FAD	Revenue administration
Dec-17	FAD	Tax Policy
	FAD	AFC- Customs administration
	FAD	AFC- Public finance management

Table 2. Central African Republic: Technical Assistance Activities, 2018

Date	Department	Mission purpose
Jan-18	FAD	AFC-Revenue administration
	MCM	AFC-Debt Management
	STA	Balance of payments statistics
Mar-18	FAD	Revenue administration
	FAD	Public finance management
April-18	FAD	Tax administration
	STA	AFC-National accounts
May-18	STA	AFC-Government finance statistics (external location)
Aug-18	FAD	Tax policy
Sep-18	STA	AFC- National Accounts
	FAD	Revenue administration
	FAD	Public finance management
Oct-18	MCM	AFC- Debt management
	FAD	AFC-Public finance management
Nov-18	FAD	AFC- Revenue administration
	FAD	AFC-Public finance management
Dec-18	STA	AFC-Government finance statistics
	FAD	AFC- Public finance management-Study tour of officials
	FAD	AFC-Public finance management
	FAD	AFC-Revenue administration

Table 3. Central African Republic: Technical Assistance Activities, 2019

Date	Department	Mission purpose
Jan-19	FAD	Revenue administration (regional expert)
	FAD	Revenue administration
	MCM	AFC- Debt management
Mar-19	FAD	AFC-Revenue administration
	FAD	AFC-Customs administration
	FAD	AFC-Macroeconomic management
	MCM	AFC- Balance of payments statistics
	STA	AFC-National accounts
Apr-19	FAD	AFC-Revenue administration
	STA	AFC- Government finance statistics
May-19	STA	AFC-Macroeconomic management
Jun-19	FAD	Revenue administration
Jul-19	FAD	AFC-Public finance management (planned)
	STA	AFC-Government finance statistics (planned)

Appendix I. Letter of Intent

Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
United States of America

Bangui, June 17, 2019

Dear Madame Lagarde:

1. On December 19, 2018, the Executive Board completed the fifth review of the arrangement under the Extended Credit Facility (ECF) for the Central African Republic and approved a disbursement of SDR 22.84 million. The attached Memorandum of Economic and Financial Policies (MEFP) describes recent economic trends, the progress made in implementing our policies through end-March 2019, and the reform program for the medium term.

2. We have met the end-December 2018 quantitative performance criteria, except for those relating to the domestic primary fiscal deficit and to the clearance of domestic arrears, for which we are requesting waivers. The excessively high deficit is reflective of that of primary expenditure, which has exceeded the projected level owing notably to the still too frequent use of exceptional spending procedures. We have since taken corrective action to better limit the use of these procedures. As for clearing domestic arrears, in the first quarter of 2019 we made up the slight delay recorded at end-2018.

3. We implemented four of the five end-December 2018 structural benchmarks, two of them with a delay. The implementation of the IT platform at the Ministry of Finance and Budget and the closure of the cash funds were completed in a timely manner; the adoption of the 2019 budget execution circular and the publication of the customs and BIVAC data reconciliation report were carried out in January and February 2019. Parafiscal taxes without economic justification could only be partially eliminated, as the audit of public agencies and entities that collect parafiscal taxes took much longer than initially planned. We also implemented the two end-March structural benchmarks, one of them with a delay.

4. As part of the implementation of the peace and reconciliation policy agreement, our medium-term objectives continue to be the strengthening of revenue mobilization to broaden our fiscal space, the prioritization, efficiency, and quality of public expenditure, transparency and

good governance, poverty reduction, and the stimulation of economic growth. In accordance with the ECF arrangement, the draft 2019 supplementary budget submitted to the National Assembly reflects these objectives.

5. We honored all external debt service and are committed to continuing to clear domestic arrears and not accumulate new ones. Since the completion of the fifth review by the IMF Executive Board, neither the central government nor state-owned enterprises nor government agencies have contracted or guaranteed new external loans. Over the coming months, we will essentially be mobilizing grants and, if necessary, contracting highly concessional financing, within the borrowing limits of the program, to finance our development projects. We reiterate our commitment to consulting with Fund staff before contracting any new external borrowing.

6. Considering our satisfactory performance to date, we request the disbursement of the seventh tranche under the ECF arrangement, equivalent to SDR 22.84 million (20.5 percent of our quota), to cover our protracted balance of payments needs.

7. We remain convinced that the measures and policies outlined in the MEFP are adequate to achieve the objectives of our program and 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 Fund staff with all the data and information needed to assess our policies.

8. We intend to publish the IMF staff report, including this letter of intent and the attached MEFP. We therefore authorize Fund staff to publish these documents on the IMF website once the Executive Board has completed the sixth review of the ECF arrangement.

Sincerely yours,

/s/	/s/
Henri-Marie Dondra Minister of Finance and Budget	Firmin Ngrébada Prime Minister, Head of Government

Attachments:
Memorandum of Economic and Financial Policies

Attachment I. Memorandum of Economic and Financial Policies (MEFP) for 2019

This memorandum updates the December 2018 MEFP prepared for the Fifth 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, reduce poverty, and strengthen the government's efforts to promote peace and reconciliation. The MEFP describes recent macroeconomic developments, the progress made in program implementation, the economic outlook and risks, and the macroeconomic and structural policy objectives for the remainder of 2019.

RECENT MACROECONOMIC DEVELOPMENTS

1. **The government and the 14 armed groups signed a political agreement for peace and reconciliation on February 6, 2019.** The implementation of this agreement, which notably provides for the formation of an inclusive government, the creation of joint brigades, the launch of the truth, justice, reparation, and reconciliation commission, and the expansion of government services to all regions, should significantly improve the security situation, paving the way for stronger, more inclusive economic growth. Although the main transportation route linking Bangui to Cameroon has been reopened following the formation of an inclusive government in March (the route had been blocked by an armed group in previous weeks), the humanitarian situation remains a matter of concern.

2. **Economic growth slowed in 2018, being estimated at close to 4 percent after 4½ percent in 2017.** The dramatic plunge in official diamond production since March 2018 and the slowdown in timber production at the end of the year—owing to a dispute between the government and forestry companies regarding the level of taxation in the forestry sector—are largely behind this downturn. While inflation was limited to 1.6 percent on average as a result of a decline in food prices, it rose sharply in the final months of the year owing to a recovery in food prices and a surge in firewood prices, settling at 4.6 percent year-on-year at end-year. National accounts for the years 2005–17 were finalized, resulting in a 7 percent upward revision of nominal GDP in 2017.

3. **The execution of the 2018 budget was mixed.** Domestic revenue was higher than projected (CFAF 112.4 billion compared to CFAF 112.1 billion), reflecting the gradual integration of parafiscal taxes into the treasury single account (TSA), the impact of tax measures introduced in 2018, the application of the new agreement signed with banking institutions for revenue collection, and the strengthening of audits and of the collection of tax arrears. The domestic primary fiscal deficit on a cash basis was, however, higher than the target (CFAF 22 billion compared to CFAF 18 billion), reflecting higher-than-expected primary expenditure (CFAF 134.4 billion compared to CFAF 129.4 billion). This is mainly the result of the still frequent

use of exceptional spending procedures. Public debt amounted to 48.8 percent of GDP at end-2018, compared to 49.4 percent of GDP at end-2017.

4. **The current account deficit is estimated to be 7.9 percent of GDP for 2018, which is lower than forecasted**, owing primarily to the upward revision of nominal GDP. This deficit is slightly higher than in 2017, as the deterioration in the balance of goods and services (reflecting primarily an increase in the oil bill) was only partially offset by higher official transfers.

5. **The financial sector is doing well.** Credit to the economy grew by 11.5 percent year-on-year in December 2018. Broad money expanded by 14 percent over the same period. Commercial banks remain amply capitalized and liquid, and their nonperforming loans declined significantly owing notably to the government's repayment of its commercial arrears. Banks are broadly compliant with prudential standards.

PROGRAM IMPLEMENTATION IN 2018 AND EARLY 2019

6. **We met the quantitative performance criteria at end-December 2018**, except for those relating to the domestic primary fiscal deficit and to the clearance of domestic arrears. Hence:

- net domestic financing of the government stood at CFAF 4.3 billion at end-December 2018, compared to a ceiling of CFAF 14.0 billion.
- the domestic primary fiscal deficit stood at CFAF 22.0 billion at end-December 2018, compared to a ceiling of CFAF 18.0 billion.
- total domestic government revenue reached CFAF 112.4 billion at end-December 2018, compared to a floor of CFAF 112.1 billion.
- clearance of domestic payment arrears stood at CFAF 29.7 billion at end-December 2018, compared to a floor of CFAF 30.0 billion.
- the two continuous performance criteria were met. Hence, the government did not contract or guarantee any new nonconcessional external debt, nor did it accumulate external debt arrears.
- The government contracted one concessional external loan (at a concessional rate of 50.2 percent) of CFAF 7.2 billion in 2018, compared to an indicative ceiling of CFAF 9 billion. However, the indicative target on exceptional spending procedures was not met (reaching 9 percent compared to a ceiling of 5 percent). Priority social spending reached CFAF 37.5 billion, exceeding by far the target of CFAF 30 billion.

7. **We implemented four of the five structural benchmarks at end-December 2018, two of them with a delay.** The implementation of the IT platform at the Ministry of Finance and Budget (MFB) and the closure of the cash funds were completed in a timely manner; the adoption of the 2019 budget execution circular and the publication of the customs and BIVAC

data reconciliation report were carried out in January and February. However, the audit of public agencies and entities that collect parafiscal taxes proved to require much longer than initially planned, which has thus far prevented us from eliminating all parafiscal taxes without economic justification. We also implemented the two structural benchmarks at end-March, one of them with a delay. The government adopted in March an inter-ministerial decree establishing the conditions and modalities for medical evacuations and submitted in May to the National Assembly for adoption the draft law on public and para-public entities and enterprises.

8. **Domestic revenue was lower than expected in the first quarter of 2019 at CFAF 27.6 billion, compared to a projection of CFAF 34 billion.** This underperformance owes mainly to two factors: the temporary blockage of the main route linking Bangui to Cameroon and delays in transferring the parafiscal revenue collected by public agencies to the TSA. The spending level was nonetheless under control. The domestic arrears cleared in the first quarter (CFAF 8.6 billion) were higher than projected (CFAF 7.5 billion), which made up the slight delay recorded at end-2018.

ECONOMIC OUTLOOK AND RISKS

9. **The medium-term economic and financial outlook is encouraging.** We are projecting economic growth of 4.5 percent for 2019 and 5 percent in the medium term. This economic performance will be driven by dynamic activity in the forestry sector, telecommunications, and construction, a gradual resumption of official diamond production, externally financed investment, and better execution of domestically financed investment spending. The government, with support from the WB and the AfDB as well as other partners, will significantly increase energy production capacity and revive the agricultural sector. Inflation will be contained at 2.5 percent over the medium term.

10. **The macroeconomic forecasts are subject to both upward and downward risks.** A deterioration in the security situation could hamper the government's efforts. The increase in international petroleum product prices could impede economic activity and lead to losses in revenue from oil taxes. A delay in external financing disbursements would pose a risk to public finance and could adversely affect economic activity. However, the peace agreement offers the prospect of enhanced security, better government control over the territory, and sustainable economic development.

MACROECONOMIC AND STRUCTURAL POLICIES

11. **In line with the Recovery and Peacebuilding Plan (*Plan pour le relèvement et la consolidation de la paix*—RCPCA), 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) strengthening 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.

12. **The increased budgetary support granted by our development partners over the past few months will enable us to promptly begin implementing some measures provided for in the recent peace agreement.**

Fiscal Framework

13. **We submitted a draft supplementary budget law for 2019 to the National Assembly in mid-June** to: (i) reflect the most recent domestic revenue forecasts and additional budgetary support; and (ii) allow the financing of the implementation of the peace agreement and a number of other new priority expenditures:

- Domestic revenue has been affected by the temporary blockage of the main route between Bangui and Cameroon and delays in transferring to the budget the parafiscal taxes collected by public agencies; it is also expected to be adversely affected by a more sluggish economy than anticipated. We plan to continue our efforts to increase this revenue (see below). It should nonetheless be slightly behind projections by approximately CFAF 5 billion, including CFAF 3 billion from parafiscal taxes. This underperformance in parafiscal revenue will be offset for up to CFAF 2 billion by lower public agency transfers.

- Relative to the Fifth Review forecasts, the WB and the EU have increased their budgetary support (grants) by a total of CFAF 43 billion for 2019 and CFAF 18.5 billion for 2020.

- So as not to undermine macroeconomic stability and debt sustainability, we plan to spread the use of this additional budgetary support over a number of years for that it contributes durably to the financing of the peace agreement implementation, to the redeployment of security forces and government services, particularly, social services in the provinces, and to the organization of elections in 2020–21. In 2019, the additional resources allocated to these priority expenditures will amount to CFAF 14.5 billion (about 1 percent of GDP).

- We are committed to limiting the domestic primary fiscal deficit to CFAF 33.3 billion (2.5 percent of GDP). Domestic revenue will reach CFAF 134.9 billion (9.9 percent of GDP) and primary expenditure will amount to CFAF 168.3 billion (12.4 percent of GDP).

Increase Revenue Mobilization

14. **We are continuing the reforms to increase revenue mobilization.** The exemption granted to the SOCACIG company has expired, generating approximately CFAF 400 million in additional revenue in the first quarter. We have also begun auditing the companies that report VAT credits or file nil VAT returns with the aim of auditing at least 60 percent of these companies annually. We have instructed tax offices to ensure that all data from tax declarations are entered in the SYSTEMIF upon their subscription to strengthen the monitoring of the consistency between the VAT and income tax bases. As for the customs administration, all VAT rate and

customs tariff errors in ASYCUDA have been corrected. The ASYCUDA system has been up and running at the Beloko customs office since June 2018 and at the hydrocarbon customs clearance office since May 2018. In an effort to combat fraud, we converted the Mongoumba customs revenue brigade into a full-fledged customs office in November 2018. We will strengthen customs control between the Cameroonian border and the Beloko post and will roll out ASYCUDA at the Mongoumba post by end-December 2019. To improve the exchange of information between the customs and tax administrations, we will launch the IT platform between ASYCUDA and SYSTEMIF as well as the joint control brigade by June 30, 2019.

15. **We are determined to obtain support both for controlling import valuation and for securing timber export revenue.** Since BIVAC—the company that had assisted us in these tasks for many years—has stopped providing these services, we launched in early June, with technical assistance from the IMF, a call for expressions of interests to obtain support for import valuation control. This call for expressions of interest also covers support for securing timber exports. We will launch by end-July a tender covering these two areas. We have eliminated the 1 percent ad valorem fee for making a declaration prior to import by Customs pending the adoption of a specific tariff for the provision of support for import valuation control.

16. If necessary in view of the changes in oil prices on the international market, the government will adjust petroleum products prices at the pump in order to limit the impact of an increase in international prices on tax revenue.

Streamlining Parafiscal Taxes

17. **The rationalization of parafiscal taxes and their transfer to the TSA remains a priority for the government.** The action plan developed in December 2017 had to be revised to take into account the time required to audit—by the Inspectorate of Finance and external auditors hired with support from the French Development Agency (*Agence française de développement* (AFD))—the 41 public agencies to which these taxes are allocated. The revised action plan provides for the gradual completion of this major reform by December 31, 2019. Further, to the 19 audits already performed in 2018 we repealed, as of January 1, 2019, the environmental tax on the production, manufacture, and import of cigarettes, alcoholic and non-alcoholic beverages in glass and/or plastic bottles, as well as telecommunications and electromagnetic pollution.

18. **We also identified eight nonoperational agencies that we plan to eliminate by introducing a specific provision in the draft supplementary budget law for 2019.** Public accountants have also been assigned to all public agencies to accelerate the integration into the TSA of justified parafiscal taxes and levies with a counterparty as transfers to entities to which these taxes are allocated. The agencies' bank accounts have been dedicated exclusively to revenue collection, and their balances will be transferred daily to the TSA at the BEAC. TSA subaccounts were opened at the BEAC in June to ensure the transfers necessary for covering

agency expenditures under public accounting rules and under the Treasury's control. The agreements giving effect to these subaccounts were signed in early June.

19. **In keeping with the revised action plan, the Inspectorate General of Finance will finalize the audits of 17 agencies by June 30**. Moreover, the external audits of three of the five most critical agencies (FNE, ANR, ANAC, CASDTA, and SODIAC) were launched in April, whereas the other two will begin by June 30, once the funds made available by the AFD have been mobilized. These audits are slated to be completed by September 30. Once all the audits are complete, and depending on their findings, the Inspectorate General of Finance will identify the other unjustified taxes and levies, whose elimination will be subject to provisions included in the draft budget law for 2020.

Rationalize and Strengthen Public Expenditure Management

20. **The government is determined to improve the quality and transparency of the public expenditure chain.** To achieve our objective of limiting to 5 percent the expenditures conducted through exceptional procedures, we: (i) adopted in January the budget execution circular for 2019, which caps the spending amount for cash funds; (ii) adopted a circular making operational the obligation for government officials to justify their mission expenses within eight days of their return; and (iii) adopted the new decree on medical evacuations. Moreover, we plan to negotiate by end-September 2019 a new agreement with travel agencies and airline companies for official government staff missions. We will also ensure that these exceptional procedures no longer apply to expenditures such as planned vaccination campaigns and exams and competitions. We are also committed to clearing, by September 30, 2019, all the expenditures financed through the cash funds that were closed at the end of the 2018 fiscal year. In addition, we are continuing work to decentralize the expenditure chain (and ultimately the payment authorization process) in order to reduce delays and improve budget execution. At this time, we are training staff in the ministries to which the spending commitment and validation functions were delegated as of January 1, 2019, and plan to expand this delegation to the ministries in charge of transportation and public works starting in January 1, 2020. We will, also, strengthen expenditure monitoring in the provinces in order to incorporate those expenditures into the various public spending components and to add a reserve to the budget envelope for unforeseen expenditures.

21. **We are making progress in strengthening governance and financial oversight of public agencies and entities and management of the government's holdings in state-owned enterprises.** We have submitted the new legal framework for public and parastatal institutions and enterprises to the National Assembly and expect it to be adopted shortly. A decree defining the new organizational chart of the Ministry of Finance, notably providing for an increase in staff in charge of the financial oversight and supervision of public and parastatal institutions and enterprises, was adopted in May. We are also determined to limit the use of direct contracts (which accounted for about 30 percent of the contract awarded in 2018) by

revising the public procurement code and strengthening the procurement capacities of priority sector ministries, with the support of the World Bank (WB).

Clear Arrears and Improve Debt Management

22. **The government intends to pursue its strategy of clearing already validated domestic arrears.** Commercial arrears are nearly cleared. The remaining social arrears will be paid in 2019 and 2020. Furthermore, potential additional arrears that had not been included in the clearance plan and totaling about CFAF 115 billion—an amount which should be much lower once audited—have since been identified. They include mainly: (i) spending that has been validated but not committed nor paid from budget years prior to 2014; (ii) arrears in deposit accounts opened until 2016; and (iii) debts to state-owned enterprises. With support from the AFD, we will audit all of these potential additional arrears by September 30. This strategy is consistent with the recommendations made during the first tripartite consultation between the member countries and institutions of the Central African Economic and Monetary Union (CEMAC) and the International Monetary Fund (IMF) held on April 2 in Douala.

23. **In accordance with our commitments, we remain determined to contain the external public debt.** We have therefore not accumulated new external arrears, honoring all external debt service falling due since January 1, 2018. The government is determined to continue negotiating with creditors whose agreements were signed prior to the Heavily Indebted Poor Countries (HIPC) Initiative and with private creditors. We remain determined to seek grants and concessional financing within the borrowing limits under the ECF arrangement. We will publish the 2018 annual report on public debt by end-July.

Promote Transparency and Strengthen Good Governance

24. **The government is committed to stepping up efforts to fight corruption and improve good governance.** To this end, we will propose measures to tighten asset declaration requirements by preparing a draft law aimed at better defining the conditions of this obligation and the consequences of noncompliance. The High Authority for Good Governance has developed a National Strategy for Good Governance. A pre-validation workshop headed by the government was held to scrutinize the strategy. We also asked the IMF to carry out a diagnostic mission on governance in order to identify additional measures in the areas of fiscal governance, anti-corruption strategy and policies, regulatory framework (ease of doing business and trade facilitation), rule of law and AML/CFT. We also commit to publish the diagnostic report. To deal with the considerable challenges of managing our natural resources, we have started the process of resuming membership in the Extractive Industries Transparency Initiative. We have also published all forestry permits issued through March 31, 2019 on the Ministry of Finance and Budget website. In addition, we have continued the quarterly publication of all new mining permits issued on the Ministry of Finance and Budget website.

Improve the Business Environment

25. **The business environment faces constraints that hinder private investment by local as well as foreign entrepreneurs.** Those constraints include insecurity, inadequate electricity production, high transportation costs stemming from being landlocked and the deterioration of road infrastructure, and limited access to credit. Gaps in the legal system add to these constraints. We have begun to implement the recommendations made by the "Financial System and Justice in the C.A.R." symposium organized by the National Credit Council (*Conseil national du crédit*) to improve the legal system. A draft law to limit severance pay where a dispute arises between employees and employers has been submitted to the National Assembly for adoption. We also plan to modernize and update the legal framework for key economic sectors, notably the revision of the mining code—to ensure its compliance with the new regional regulation on foreign exchange—and the revision of the labor code. We also intend to strengthen the Joint Consultation Framework for Business Improvement to promote and strengthen dialogue between the government and the private sector.

Reduce Poverty and Promote Gender Equality

26. **We are continuing to implement the RCPCA. In that context, the significant increase in priority social spending will contribute to reducing poverty.** The government also supports women's promotion and equality, in line with the RCPCA objectives and the law governing gender equality. Women's participation in political and economic affairs is essential to sustainable peace and economic development. 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

27. **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, notably to help to compensate for the absence of banking service branches in most provinces. In particular, we plan to gradually digitize the payment of taxes and the settlement of expenditures. In addition, the recommendations of the 2017 COBAC supervision missions are being implemented. Bank governance and prudential standards were strengthened, and progress has been made with regard to internal control mechanisms and measures to combat money laundering and terrorism financing. The government intends to closely monitor the implementation of the remaining COBAC recommendations as well as those of the "Financial System and Justice in the C.A.R." symposium.

CAPACITY BUILDING

28. **Building administrative and technical capacities is essential to ensure the successful implementation of our economic program.** To this end, we are receiving sustained technical

assistance from our partners to improve customs and tax revenue collection, ensure better cash management, and strengthen the public expenditure chain. With the IMF, we have defined and are implementing a Capacity Building Framework, updated in May 2019, whose priorities are still domestic revenue collection, public finance management, public debt management, macroeconomic statistics compilation, and macro-fiscal capacity building.

29. **Similar strategies were designed in coordination with other donors in their own fields of intervention.** Similarly, we will continue efforts to strengthen and coordinate the support of our partners to make the most of available technical assistance. To this end, we have increased the staff of the Economic and Financial Reform Monitoring Unit (*Cellule de suivi des réformes économiques et financières*—CS-REF) in charge of following up on the reform program and coordinating the technical assistance and training provided by all partners. In addition, the decree creating the Inter-ministerial Macroeconomic and Budgetary Framework Committee was adopted. This committee has been up and running since early January 2019.

SUPPORT TO THE IMPLEMENTATION OF THE REGIONAL FOREIGN EXCHANGE REGULATIONS

30. **The government has committed to support the efforts of the regional institutions,** particularly the BEAC, to effectively implement the new foreign exchange regulations in order to make a meaningful contribution to rebuilding the subregion's foreign exchange reserves:

- The government will identify accounts abroad held by state-owned enterprises and the amounts in those accounts by end-July 2019. These entities will be required to repatriate and surrender these external assets to resident banks by December 31, 2019, in accordance with the regulation, or obtain a written exemption from the BEAC.

- By end-September 2019, the government will ensure that all contracts concluded with extractive industry operators, specifying in, particular, revenue sharing, the modalities for repatriating this revenue, and the financial terms, have indeed been shared with the BEAC and the Technical Secretariat of the CEMAC's Economic and Financial Reform Program (PREF-CEMAC). The government will set a timetable to make certain that these contracts are in full compliance with the new foreign exchange regulations. Lastly, we are committed to consulting with BEAC staff prior to the signature of new mining concession contracts/permits or revenue sharing agreements with extractive industries to ensure they are in compliance with foreign exchange regulations.

- Together with the BEAC, the government will organize a high-level consultative meeting with operators from these sectors to clarify the new foreign exchange regulations and to examine all issues relating to its implementation by end-July 2019.

- The government will instruct the customs administration to do its due diligence with respect to the new body of regulations on the domiciliation of all export transactions with a resident commercial bank by end-August.

31. **Exchange restrictions:** Throughout the duration of the program, we are committed not to impose or expand restrictions on payments and transfers relating to current international transactions, resort to multiple currency practices, conclude bilateral agreements that do not comply with Article VIII of the IMF's Articles of Agreement, or impose or expand restrictions in order 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, 2018–19
(In CFAF billions)

	End-June 2018				End-September 2018				End-December 2018				End-March 2019				End-June 2019
	PC	Adjusted PC [6]	Actual	Status	Indicative Target	Adjusted target [6]	Actual	Status	PC	Adjusted PC [6]	Actual	Status	Indicative Target	Adjusted IT[6]	Actual	Status	Proj.
Quantitative performance criteria																	
Domestic government financing (ceiling, cumulative flows for the year)	8.0	8.0	1.5	Met	17.9	17.9	-8.0	Met	14.0	14.0	4.3	Met	16.0	18.7	29.5	Not met	-6.0
Domestic revenue (floor, cumulative for the year) [1]	53.4	53.4	56.8	Met	82.1	82.1	83.4	Met	112.0	112.0	112.4	Met	34.0	34.0	27.7	Not met	62.0
Domestic primary fiscal balance (floor, cumulative for the year)[2]	-10.0	-10.0	0.0	Met	-15.0	-15.0	-11.9	Met	-18.0	-18.0	-22.0	Not met	-5.0	-2.3	-7.7	Not met	-15.0
Reduction in domestic payments arrears (floor, cumulative for the year)	-14.2	-14.2	-19.0	Met	-21.5	-21.5	-24.1	Met	-30.0	-30.0	-29.7	Not met	-7.5	-7.5	-8.6	Met	-10.0
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	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	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	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0
Indicative targets																	
Social spending (floor, cumulative for the year)[5]	9.0	9.0	12.5	Met	16.0	16.0	28.5	Met	24.0	24.0	37.5	Met	10.0	10.0	5.5	Not met	20.0
Spending through extraordinary procedures (ceiling, cumulative for the year)	1.8	1.8	4.7	Not Met	2.6	2.6	5.7	Not Met	3.4	3.4	6.5	Not met	1.2	1.2	1.9	Not met	2.4
Memorandum item:																	
New concessional/external debt contracted or guaranteed by the government	9.0	9.0	7.2	Met	9.0	9.0	7.2	Met	9.0	9.0	7.2	Met	6.0	6.0	0.0	Met	6.0

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

[1] Domestic revenue, which excludes foreign grants and divestiture receipts (see the December 2018 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 December 2018 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 the December 2018 TMU).

[6] Adjusted for other than programmed budget support (see the December 2018 TMU). For end-March 19, actual budget support was CFAF 5.4 billion lower than programmed.

Table 2. Central African Republic: Prior Actions and Structural Benchmarks, 2018–19

Measures	Timeline	Macroeconomic Rationale	Status	Comment
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	Not met	Expected to be completed by end 2019.
Close systematically all cash fund agencies on December 31, 2018	End December 2018	Strengthen the efficiency of public spending	Met	
Establish budget execution circular from LF 2019	End December 2018	Rationalize public spending execution procedures	Not met	Completed in January 2019.
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	Not met	Completed in February 2019.
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	Met	
Revise legislation governing public agencies to strengthen financial oversight	End March 2019	Strengthen the efficiency of public spending	Not met	Completed in May 2019.
Establish inter-ministerial decree laying down the conditions and terms of medical evacuations	End March 2019	Strengthen the efficiency of public spending	Met	

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

June 17, 2019

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)[1]

Central African Republic Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	High
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgement	No

The Central African Republic (C.A.R.) remains at high risk of external debt distress and overall high risk of debt distress under the revised Debt Sustainability Framework (DSF), unchanged from the 2018 DSA. Solvency indicators (the present values of the external public and publicly guaranteed debt-to-GDP and debt-to-exports ratios) remain below their relevant thresholds in the baseline scenario. However, liquidity indicators (debt service-to-exports and debt service-to-revenue ratios) breach their thresholds in the baseline scenario. Further considerations support the high-risk assessment: the debt indicators are sensitive to standard stress tests; macroeconomic projections are highly uncertain in a volatile security environment; and sizeable contingent liabilities, notably related to the large stock of unaudited potential domestic arrears and the limited financial information available on state-owned enterprises, could materialize. C.A.R.'s debt sustainability is also sensitive to a deterioration of the financing mix. A tailored scenario in which grant financing (of 2 percent of GDP) is replaced by concessional external debt-financing from 2021 onwards would worsen debt sustainability considerably. This shows that the government's investment program requires grant financing, with concessional debt financing to be considered in exceptional cases.

[1] This DSA has been prepared jointly by the IMF and World Bank, following the revised LIC-DSF Framework and Guidance Note (2017) in effect as of July 1, 2018.

PUBLIC DEBT COVERAGE

1. **The coverage of public sector debt is in line with the previous DSA, exhibiting some gaps**. Information is available on the central government's contractual debt obligations. State and local governments do not borrow, there are no social security funds guaranteed by the public sector, and the government has not guaranteed other debt. However, sizeable contingent liabilities could materialize: (i) the authorities shared with staff a list of potential additional domestic payment arrears, which have yet to be audited, and (ii) little information is available on the financial situation and domestic debt of state-owned enterprises (SOEs), including the three big utilities for water (SODECA), communication (SOCATEL), and energy (ENERCA). The authorities are taking specific steps to improve financial oversight of SOEs, which should lead to better debt coverage going forward. They submitted to parliament a new legal framework governing SOEs and have reorganized the Ministry of Finance. They also committed to audit the identified potential domestic arrears by end-September 2019. The debt unit is being strengthened through training and better IT systems supported by development partners.

2. **The tailored test of contingent liabilities assumes a shock of 15 percent of GDP**. This significant amount reflects the uncertainty about additional domestic arrears, non-guaranteed SOE debt, and financial market risks. The shock from domestic arrears is set at 5 percent of GDP to factor in past and persisting shortcomings in the country's public expenditure management systems. The contingent liabilities shock from SOE debt is set at 5 percent of GDP to reflect heightened risks associated with non-guaranteed SOE debt and potential expenditure arrears. The financial market risk shock is kept at the minimum default value of 5 percent of GDP given the small size and depth of the financial sector in C.A.R.

Text Table 1. Central African Republic: Coverage of Public Sector Debt and Design of the Contingent Liability Stress Test

Subsectors of the public sector	Sub-sectors covered
Central government	X
State and local government	X
Other elements in the general government	
o/w: Social security fund	X
o/w: Extra budgetary funds (EBFs)	
Guarantees (to other entities in the public and private sector, including to SOEs)	X
Central bank (borrowed on behalf of the government)	X
Non-guaranteed SOE debt	

The country's coverage of public debt	The central, state, and local governments plus social security, central bank, government-guaranteed debt		
	Default	**Used for the analysis**	**Reasons for deviations from the default setting**
Other elements of the general government not captured above	0 percent of GDP	5	Possible domestic payment arrears not included in debt stock
SOEs' debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	5	Limited information SOEs' financial position
PPP	35 percent of PPP stock	0	
Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
Total (in percent of GDP)		15	

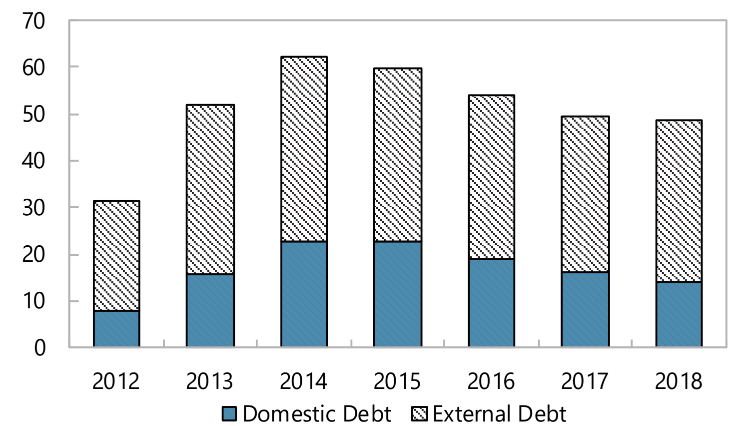
1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully caputred under the coutnry's public debt definition. If it is already included in the goverenment debt and risks associated with SOE debt not guaranteed by the government is assessed to be neglibible, a country team may reduce this to 0%.

Source: IMF staff estimates and country authorities

BACKGROUND

3. **C.A.R.'s public and publicly guaranteed (PPG) debt is declining**. It stood at 48.8 percent of GDP at end-2018 (down from 49.4 percent of GDP at end-2017), with external debt amounting to 34.9 percent of GDP (33.3 percent of GDP at end-2017).[2] Debt indicators deteriorated significantly in the wake of the 2013 crisis when GDP collapsed, and domestic and external arrears accumulated. Conditions have improved since, supported by economic recovery, stronger revenue mobilization, arrears clearance and limited new borrowing (Text Figure 1). Since the crisis, C.A.R. has contracted new loans from Saudi Arabia (2015 project loan for disbursements of up to US$75 million; grant element 49.4 percent), African Development Bank (2017 budget support loan of US$15 million, grant element 60.2 percent), BADEA (2018 project loan for disbursements of up to US$13 million, grant element 50.2 percent), and the IMF (ECF and RCF disbursements totaling SDR 133.12 million, grant element 30.5 percent).

Text Figure 1. Central African Republic: Evolution of Public Sector Debt, 2012-18 (percent of GDP)



Sources: IMF staff estimates and country authorities

4. **Pre-HIPC arrears and debt owed to multilateral creditors account for the bulk of external debt (Text Table 2)**. Multilateral creditors, mainly the IMF and the World Bank, hold almost half of the external debt. Bilateral debt amounts to 7.2 percent of GDP, with India, China and Congo being the main creditors. Pre-HIPC arrears are owed to Non-Paris Club creditors (Argentina, Equatorial Guinea, Iraq, Libya, and Taiwan, Province of China). The average nominal interest rate stood at 0.6 percent for external debt, reflecting the preponderance of concessional borrowing. Half of the domestic debt consists of statutory and exceptional advances from the Central Bank, which have been consolidated into one loan to be repaid from 2022 onwards, in line with regional arrangements. The remainder mainly includes officially recognized arrears amounting to 4.7 percent of GDP.

[2] External debt is defined on a residency basis with the exception of BEAC advances, which are considered domestic debt as in the last DSA for C.A.R. Mechanically, the CFAF-denominated debt held by the BEAC would weaken the external debt sustainability indicators if they were considered external debt, but the risk from this debt is lower than foreign currency denominated debt owing to the lack of currency risk, strong institutional ties, and the relative ease of rescheduling. All outstanding T-bills are held by domestic banks and included in domestic debt.

5. **The composite indicator signals a weak debt-carrying capacity (Text Table 3)**. Institutions in C.A.R. are weakened by persistent fragility. The composite indicator, a proxy for debt-carrying capacity, is comprised of the real growth rate, import coverage of reserves, remittances, world growth, and the World Bank's CPIA. C.A.R. has a score of 2.42, well below the floor (2.69) for medium debt-carrying capacity.

Text Table 2. Central African Republic: Composition of Public Sector Debt, 2018
(percent of GDP)

External Debt		Domestic Debt	
Total	34.9	Total	13.9
of which:		of which:	
Multilateral	14.9	Central Bank	6.4
Bilateral	7.2	Arrears	4.7
Private	3.2	Other	2.8
Pre-HIPC arrears	9.6		

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

Text Table 3. Central African Republic: Calculation of composite indicator and thresholds

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.471	0.95	39%
Real growth rate (in percent)	2.719	3.272	0.09	4%
Import coverage of reserves (in percent)	4.052	32.644	1.32	55%
Import coverage of reserves^2 (in percent)	-3.990	10.657	-0.43	-18%
Remittances (in percent)	2.022	0.097	0.00	0%
World economic growth (in percent)	13.520	3.579	0.48	20%
CI Score			2.42	100%
CI rating			Weak	

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23

TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

Sources: IMF staff estimates, Word Bank *Country Policy and Institutional Assessment*, and country authorities

UNDERLYING MACROECONOMIC ASSUMPTIONS

6. **Macroeconomic assumptions have been updated since the 2018 DSA.** The medium-term scenario is consistent with the macroeconomic framework underpinning the ECF-supported program (Text Table 4).

- Revised national accounts data led to an upward revision of the 2017 nominal GDP by 7 percent. Staff estimates that real GDP growth in 2018 was 3.8 percent and that growth in 2019 will reach 4.5 percent. Higher medium-term (2020–24) growth of 5 percent reflects the assumption of further catch-up to the pre-crisis level of GDP. In the long run (2025–39), a 3.4 percent growth is assumed—unchanged from the 2018 DSA. This implies modest per-capita GDP growth as population growth is estimated at about 2.5 percent.

- The fiscal scenario has been updated to reflect significant additional grant financing in the short term. Budget support grants in 2019–20 are expected to reach a total of 9.7 percent of GDP, significantly higher than the 4.6 percent of GDP assumed at the time of the 2018 DSA. Domestic revenues are assumed to follow a gradual upward trend, reaching 14 percent of GDP at the end of the projection period. Primary spending has been also adjusted to incorporate the revised 2019 budget, reflecting higher spending of 1 percent of GDP. In the first five years, a small primary surplus is expected amid substantial grant financing, which would then turn into a deficit of 1.2 percent of GDP over the long run as grant financing gradually declines.

- External sector variables remain broadly unchanged. The current account balance is expected to improve over time driven by a gradual decline of imports from exceptionally high post-crisis levels. The export of goods and services-to-GDP ratio is expected to decline somewhat initially as the domestic recovery outpaces export growth before rising back to about 15 percent of GDP. Current transfers are expected to decline and FDI to increase gradually from a low level. Overall, it is expected that the non-interest current account deficit will reach 3 percent of GDP in the long run.

- After increasing sharply in the short run, budget grants are assumed to decline in the long run, from an average 7.4 percent of GDP during 2019–24 to 2 percent of GDP by 2039.[3] The financing needs in the short run are covered by deposit withdrawals while it is assumed that 80 percent of longer-term needs would be covered through external concessional

[3] This assumption is consistent with multilateral development institutions providing support in the form of a mix of grants and concessional financing. Even if C.A.R.'s risk rating was to improve, a substantial share of financing would likely be provided in the form of grants. However, to further illuminate the sensitivity of debt sustainability to financing assumptions, staff has prepared a tailored scenario which substitutes 2 percent of GDP in grant financing with concessional loans from 2021 onwards.

borrowing—with a gradually decreasing degree of concessionality—and the remaining 20 percent through domestic borrowing.

Text Table 4. Central African Republic: Macroeconomic Assumptions

	DSA-18		DSA-19	
	2019-23 average	2024-2038 average	2019-24 average	2025-2039 average
	(% of GDP)		(% of GDP)	
GDP growth (percent)	5.0	3.4	4.9	3.4
GDP deflator (percent)	3.1	3.3	2.6	2.8
Non-interest current account balance	-6.0	-2.8	-4.8	-2.8
Exports	13.9	14.0	14.8	14.6
Primary balance	0.6	-1.9	0.4	-1.0
Revenues	16.6	13.3	18.2	16.6

Source: IMF staff calculations

7. **The newly added realism tools do not flag significant risks around the baseline scenario.** Both external and public PPG debt projections are in line with the 2018 DSA. Factors contributing to debt dynamics appear broadly in line with historical contributions. External and public PPG debt are higher than expected at the time of the 2012 DSA, which is mainly related to the impact of the 2013 crisis. Unexpected changes in external and public debt are close to the median for all LICs. The envisaged fiscal path is well in line with the historical performance and the experience in other LIC countries. It is also worth noting that, in the case of C.A.R., changes in the primary balance are not always a good indicator to gauge the impact of fiscal policy. While the primary balance is expected to improve substantially (owing to the significant increase in external grants, which will be only partly spent), fiscal policy is likely to prove expansionary (owing to the increase in spending).

8. **Standardized stress tests highlight debt sustainability's vulnerability to shocks.** Default settings have been used for these tests. The contingent liability stress test is based on the quantification of contingent liabilities discussed above. The commodity price shock is not applicable. Commodity exports dominate goods exports, with a share of about 70 percent. However, C.A.R.'s significant services exports—driven by service delivery to the non-resident public sector (e.g. embassies and international organizations)—bring commodity exports below the 50 percent of goods and services export threshold.

9. **A tailored scenario, assuming worse external financing terms than in the baseline, shows that room for additional borrowing is limited**. C.A.R. is highly dependent on external grant financing for budget support and project implementation. Grant financing is projected to reach 11 percent of GDP in 2019, and it is assumed to decline to 6.1 percent of GDP by 2024 and 2 percent of GDP by 2039. In light of the country's very low per-capita income, persistent fragility, and weak institutions, it is likely that development partners will continue to provide subtantial parts of their support in the form of grants. However, it cannot be excluded that less grant financing than assumed will be available in the medium and long term. To simulate such a

deterioration of external financing terms, staff has developed a scenario in which grant financing is reduced by 2 percent of GDP compared to the baseline from 2021 onwards, with concessional financing (grant element of 35 percent) substituting for the "lost" grants.

DEBT SUSTAINABILITY

A. External Debt Sustainability Analysis

10. **Solvency indicators remain well below their thresholds in the baseline scenario (Figure 1)**. In the baseline scenario, the present values (PV) of the external PPG debt-to-GDP and debt-to-exports ratios do not breach their thresholds and decline from their initial level over the projection period. The standardized stress test of lower nominal export growth leads to a temporary breach of the PV of the external debt-to-exports ratio.[4] The PV of the external debt-to-GDP ratio stays below the thresholds even under the most extreme standardized stress test (a combination of a shock to growth, the primary balance, exports, other (non-debt creating) flows, and depreciation). Setting key variables to their historical average would result in a clear upward trend of the debt ratio.

11. **Liquidity indicators temporarily breach their thresholds in the baseline scenario**. The external debt service-to-exports ratio breaches the threshold between 2024 and 2026, driven by a significant but temporary uptick of debt service during that period related to the end of the grace period of a loan as well as significant repayments to the Fund. The trajectory of the external debt service-to-revenue ratio is similar but only breaches its threshold in 2025 by a marginal amount. Standardized shocks to exports and growth as well as the historical scenario lead to significant and persistent breaches of the external debt service-to-exports ratio and external debt service-to-revenue ratios.

12. **The tailored scenario demonstrates the vulnerability of debt sustainability to lower grant financing.** Replacing 2 percent of GDP of grant financing with concessional financing from 2021 onwards would set indicators for debt sustainability on an upward trajectory. Both the PV of the external debt-to-GDP ratio and the PV of the external debt-to-exports ratio would be on an increasing trend and breach their respective thresholds within the ten-year projection period. The breaches of the external debt service-to-exports ratio and external debt service-to-revenue ratio would become more pronounced and persistent than in the baseline scenario.

B. Public Debt Sustainability Analysis

13. **The total PPG debt indicator remains well below its benchmark in the baseline scenario (Figure 2)**. In addition, the PV of the debt-to-revenue ratio is declining over the projection period. The debt-service-to-revenue and grants ratio is high at the beginning of the projection period with almost 20 percent reflecting significant repayments of domestic arrears. After a significant decline, it is set to rise until 2025 reflecting the start of repayments of

[4] The shock assumes nominal export growth of one standard deviation below its historical average in the second and third year of the projection period.

exceptional and statutory advances to BEAC and higher external debt service payments. A standardized shock to growth would trigger a breach of the treshold for the PV of the debt-to-GDP ratio and lead to a significant increase of the PV of the debt-to-revenue ratio.[5] It is also worth noting that public debt indicators could worsen due to contingent liabilities. An important stock of unverified arrears may lead to additional payment obligations. Adding domestic debt to the analysis does not change the overall risk of debt distress.

CONCLUSION

14. **C.A.R remains at high risk of external debt distress and overall high risk of debt distress.** The solvency indicators for the external PPG debt-to-GDP and -to-exports ratios stay below their respective thresholds. However, C.A.R.'s capacity to service debt is severly constrained by its low revenue mobilization and weak export base, with the external debt service-to-export and external debt service-to-revenue ratios breaching their respective thresholds in the baseline scenario. If these breaches are temporary, a number of other considerations support the high-risk assessment. Macroeconomic projections are highly uncertain given the still volatile security environment. Standardized stress tests also underline the sensitivity of the debt indicators to assumptions. Lower export or real GDP growth would trigger a significant deterioration of debt sustainability indicators with multiple threshold breaches. A tailored scenario highlights the vulnerability of debt sustainability to a deterioration in external financing terms, underscoring the importance of grant financing. In addition, sizeable contingent liabilities, notably related to the large stock of unaudited potential domestic arrears and the limited financial information available on SOEs, could materialize.

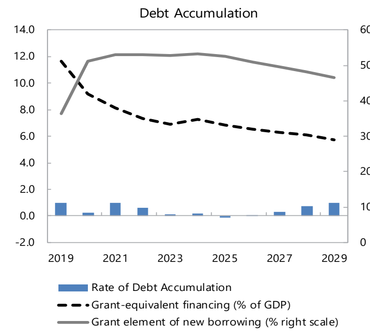
15. **The authorities broadly agreed with this assessment of debt sustainability.** They shared the view that C.A.R.'s capacity to service debt is limited and are committed to mobilizing grant financing to cover their financing needs to the extent possible. At the same time, they emphasized that the outlook for debt sustainability has improved recently: overall public debt is on a declining trend and the threshold breaches of the external debt service-to-export and external debt service-to-revenue are temporary and limited in scope. They agreed that there is a need to strengthen debt monitoring, especially by broadening the coverage to SOEs and clarifing the status of unverified domestic arrears. They also intend to further strengthen their capacity to manage debt and improve transparency, including by publishing the 2018 debt report by end-July 2019.

[5] The shock assumes real GDP growth of one standard deviation below its historical average in the second and third year of the projection period.

Table 1. Central African Republic: External Debt Sustainability Framework, Baseline Scenario, 2016–39

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	**35.1**	**33.3**	**34.9**	**33.2**	**30.5**	**29.5**	**28.3**	**26.3**	**24.9**	**22.5**	**23.5**	**25.4**	**25.9**
of which: public and publicly guaranteed (PPG)	**35.1**	**33.3**	**34.9**	**33.2**	**30.5**	**29.5**	**28.3**	**26.3**	**24.9**	**22.5**	**23.5**	**25.4**	**25.9**
Change in external debt	-1.8	-1.8	1.7	-1.7	-2.8	-1.0	-1.2	-2.0	-1.4	0.4	0.1		
Identified net debt-creating flows	**2.3**	**2.9**	**4.1**	**1.1**	**1.9**	**2.3**	**2.7**	**2.7**	**2.7**	**0.9**	**0.3**	**6.3**	**1.7**
Non-interest current account deficit	**5.0**	**7.7**	**7.8**	**3.6**	**4.6**	**4.8**	**5.1**	**5.0**	**4.9**	**2.8**	**2.7**	**7.5**	**3.8**
Deficit in balance of goods and services	16.4	16.4	17.8	16.1	15.2	14.1	13.6	13.2	12.9	9.7	8.5	**14.3**	**12.3**
Exports	18.0	15.9	15.9	15.5	15.3	15.1	14.8	14.3	13.8	14.3	15.5		
Imports	34.4	32.4	33.7	31.6	30.5	29.2	28.3	27.5	26.7	24.0	24.0		
Net current transfers (negative = inflow)	-11.4	-8.8	-9.9	-12.5	-10.5	-9.2	-8.4	-8.2	-7.9	-7.4	-5.8	**-6.8**	**-8.6**
of which: official	-5.0	-3.2	-4.4	-7.2	-5.3	-4.1	-3.5	-3.4	-3.3	-3.9	-2.9		
Other current account flows (negative = net inflow)	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.5	0.0	**-0.1**	**0.2**
Net FDI (negative = inflow)	**-0.4**	**-0.8**	**-0.8**	**-1.1**	**-1.4**	**-1.3**	**-1.2**	**-1.1**	**-1.1**	**-1.4**	**-1.9**	**-1.4**	**-1.2**
Endogenous debt dynamics 2/	**-2.3**	**-4.0**	**-2.9**	**-1.4**	**-1.4**	**-1.3**	**-1.2**	**-1.1**	**-1.0**	**-0.5**	**-0.5**		
Contribution from nominal interest rate	0.3	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3		
Contribution from real GDP growth	-1.6	-1.4	-1.2	-1.5	-1.5	-1.4	-1.4	-1.3	-1.2	-0.7	-0.8		
Contribution from price and exchange rate changes	-1.0	-2.8	-1.9	...	...	...	...	...	...	...	...		
Residual 3/	**-4.2**	**-4.6**	**-2.4**	**-2.8**	**-4.7**	**-3.3**	**-3.9**	**-4.7**	**-4.2**	**-0.5**	**-0.3**	**-5.4**	**-2.8**
of which: exceptional financing	-0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**16.7**	**17.0**	**15.8**	**15.5**	**14.9**	**13.9**	**12.8**	**10.9**	**14.6**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**104.7**	**109.7**	**103.7**	**102.8**	**101.0**	**97.4**	**92.7**	**76.5**	**94.0**		
PPG debt service-to-exports ratio	**6.0**	**1.8**	**3.8**	**6.9**	**5.4**	**5.4**	**7.0**	**7.8**	**10.9**	**4.7**	**5.1**		
PPG debt service-to-revenue ratio	**14.6**	**3.7**	**6.8**	**10.8**	**8.1**	**7.8**	**9.6**	**10.2**	**13.4**	**5.5**	**5.6**		
Gross external financing need (Million of U.S. dollars)	104.2	148.9	173.1	84.7	105.4	122.6	149.4	163.4	189.3	105.3	145.5		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.7	4.5	3.8	4.5	5.0	5.0	5.0	5.0	5.0	3.4	3.4	**1.3**	**4.2**
GDP deflator in US dollar terms (change in percent)	2.7	8.6	6.1	-0.6	3.7	3.2	3.3	3.0	4.7	2.5	2.5	**1.3**	**3.2**
Effective interest rate (percent) 4/	0.9	0.4	0.6	0.4	0.5	0.5	0.6	0.6	0.7	0.9	1.2	**1.1**	**0.7**
Growth of exports of G&S (US dollar terms, in percent)	13.8	0.3	10.2	1.1	7.2	7.0	6.0	4.6	6.4	7.0	6.8	**6.0**	**6.4**
Growth of imports of G&S (US dollar terms, in percent)	2.7	6.8	14.7	-2.7	5.0	3.9	5.1	5.1	6.7	6.0	6.0	**7.6**	**4.3**
Grant element of new public sector borrowing (in percent)	...	...	...	36.5	51.2	53.1	53.1	52.8	53.2	46.6	31.9	**...**	**49.8**
Government revenues (excluding grants, in percent of GDP)	7.4	7.8	8.9	9.9	10.1	10.4	10.7	10.9	11.2	12.1	14.0	**8.1**	**11.1**
Aid flows (in Million of US dollars) 5/	113.6	128.9	190.4	270.9	242.1	207.9	202.7	216.5	231.3	238.8	180.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	11.7	9.2	8.1	7.3	6.9	7.3	5.7	2.6	**...**	**7.4**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	90.5	97.4	89.4	89.1	92.6	87.5	83.6	66.8	**...**	**88.6**
Nominal GDP (Million of US dollars)	1,825	2,071	2,282	2,369	2,578	2,792	3,027	3,275	3,601	5,049	9,029		
Nominal dollar GDP growth	7.6	13.5	10.2	3.8	8.8	8.3	8.4	8.2	10.0	6.0	6.0	**2.2**	**7.5**
Memorandum items:													
PV of external debt 7/	...	...	16.7	17.0	15.8	15.5	14.9	13.9	12.8	10.9	14.6		
In percent of exports	...	...	104.7	109.7	103.7	102.8	101.0	97.4	92.7	76.5	94.0		
Total external debt service-to-exports ratio	6.0	1.8	3.8	6.9	5.4	5.4	7.0	7.8	10.9	4.7	5.1		
PV of PPG external debt (in Million of US dollars)			380.6	403.0	408.5	433.3	451.1	455.1	461.0	550.7	1316.2		
(PVt-PVt-1)/GDPt-1 (in percent)				1.0	0.2	1.0	0.6	0.1	0.2	1.0	1.3		
Non-interest current account deficit that stabilizes debt ratio	6.9	9.5	6.1	5.3	7.4	5.8	6.3	6.9	6.3	2.5	2.7		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**



Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes valuation adjustments. For projections also includes contribution from price and exchange rate changes. High value of the residual is related to capital grants which are not captured in this presentation.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

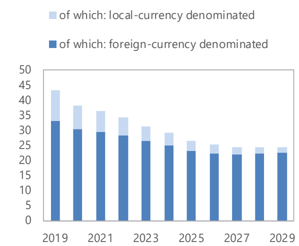
Table 2. Central African Republic: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–39

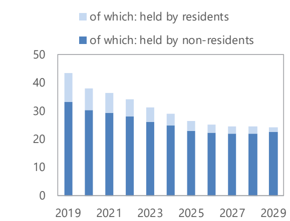
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	53.9	49.4	48.8	43.4	38.2	36.4	34.2	31.4	29.2	24.4	24.8	41.7	30.7
of which: external debt	35.1	33.3	34.9	33.2	30.5	29.5	28.3	26.3	24.9	22.5	23.5	25.4	25.9
Change in public sector debt	-5.9	-4.5	-0.6	-5.4	-5.2	-1.9	-2.2	-2.8	-2.2	0.0	0.1		
Identified debt-creating flows	-4.3	-7.9	-1.5	-5.5	-5.2	-1.9	-2.1	-2.7	-2.2	0.0	0.1	0.6	-2.2
Primary deficit	-1.6	0.7	-0.8	-2.9	-0.9	0.1	0.5	0.2	0.2	1.1	1.2	0.7	0.0
Revenue and grants	13.2	12.8	16.6	20.9	19.1	17.4	17.0	17.2	17.3	16.9	16.0	13.6	17.6
of which: grants	5.8	5.0	7.8	11.0	8.9	7.0	6.3	6.3	6.1	4.7	2.0		
Primary (noninterest) expenditure	11.6	13.5	15.9	18.0	18.1	17.5	17.5	17.5	17.5	18.0	17.2	14.3	17.6
Automatic debt dynamics	-2.7	-8.6	-0.9	-3.3	-3.0	-2.6	-2.4	-2.3	-2.4	-1.1	-1.0		
Contribution from interest rate/growth differential	-3.8	-5.2	-2.2	-3.0	-2.8	-2.4	-2.3	-2.1	-1.9	-1.0	-1.0		
of which: contribution from average real interest rate	-1.1	-2.8	-0.4	-0.9	-0.7	-0.6	-0.6	-0.5	-0.4	-0.2	-0.1		
of which: contribution from real GDP growth	-2.7	-2.3	-1.8	-2.1	-2.1	-1.8	-1.7	-1.6	-1.5	-0.8	-0.8		
Contribution from real exchange rate depreciation	1.1	-3.5	1.3	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.2	0.7	-1.2	0.7	-0.2	-0.7	0.0	0.0	0.0	0.0	-0.1
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Change in deposits	...	...	0.2	0.7	-1.2	0.7	-0.2	-0.7	0.0	0.0	0.0		
Residual	-1.6	3.4	0.9	-0.3	-0.2	-0.2	-0.2	-0.2	-0.5	-0.2	-0.1	0.7	-0.3
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	31.2	27.1	23.6	22.4	20.8	18.9	17.1	12.8	15.8		
PV of public debt-to-revenue and grants ratio	...	...	187.7	129.8	123.8	128.2	122.2	110.1	99.0	75.8	98.9		
Debt service-to-revenue and grants ratio 3/	14.0	9.2	18.6	19.7	14.4	8.7	11.3	12.0	14.5	9.2	7.7		
Gross financing need 4/	-0.3	1.7	2.3	1.2	1.8	1.6	2.3	2.3	2.7	2.6	2.4		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.7	4.5	3.8	4.5	5.0	5.0	5.0	5.0	5.0	3.4	3.4	1.3	4.2
Average nominal interest rate on external debt (in percent)	0.9	0.5	0.6	0.4	0.5	0.5	0.6	0.6	0.7	0.9	1.2	1.1	0.7
Average real interest rate on domestic debt (in percent)	-2.0	-5.3	-0.6	-1.1	-0.7	-0.3	-0.3	-0.1	0.1	1.7	4.5	0.6	-0.2
Real exchange rate depreciation (in percent, + indicates depreciation)	3.2	-10.9	4.0	...	...	...	...	...	...	...	...	2.3	...
Inflation rate (GDP deflator, in percent)	3.0	6.4	1.4	2.7	2.6	2.6	2.6	2.6	2.5	2.5	2.5	3.3	3.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-9.8	22.4	21.5	18.6	5.7	1.5	4.7	4.8	5.5	2.9	2.9	4.4	5.5
Primary deficit that stabilizes the debt-to-GDP ratio 5/	4.3	5.2	-0.2	2.5	4.2	1.9	2.7	3.0	2.4	1.2	1.1	3.1	2.2
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments plus social security, central bank, government-guaranteed debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

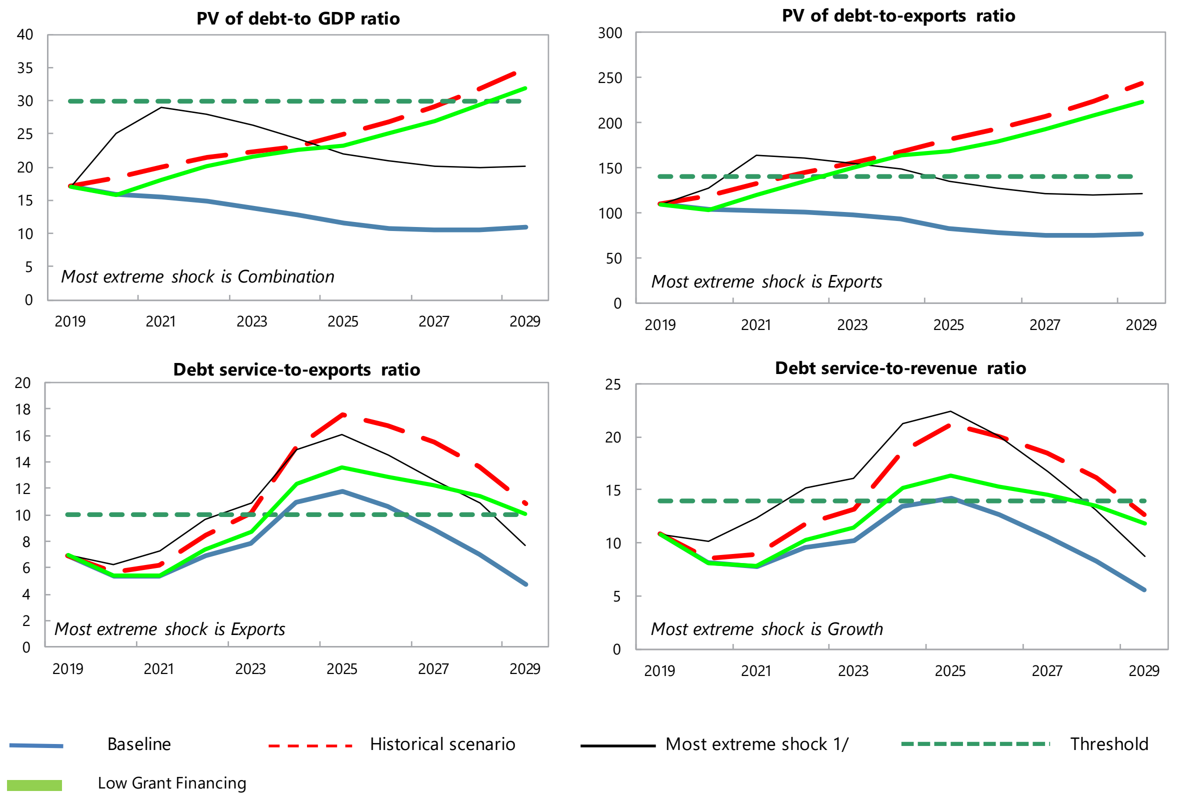
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Central African Republic: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2019–29



Customization of Default Settings		
	Size	Interactions
Standardized Tests	Yes	
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices [2/]	n.a.	n.a.
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	33	33
Avg. grace period	6	6

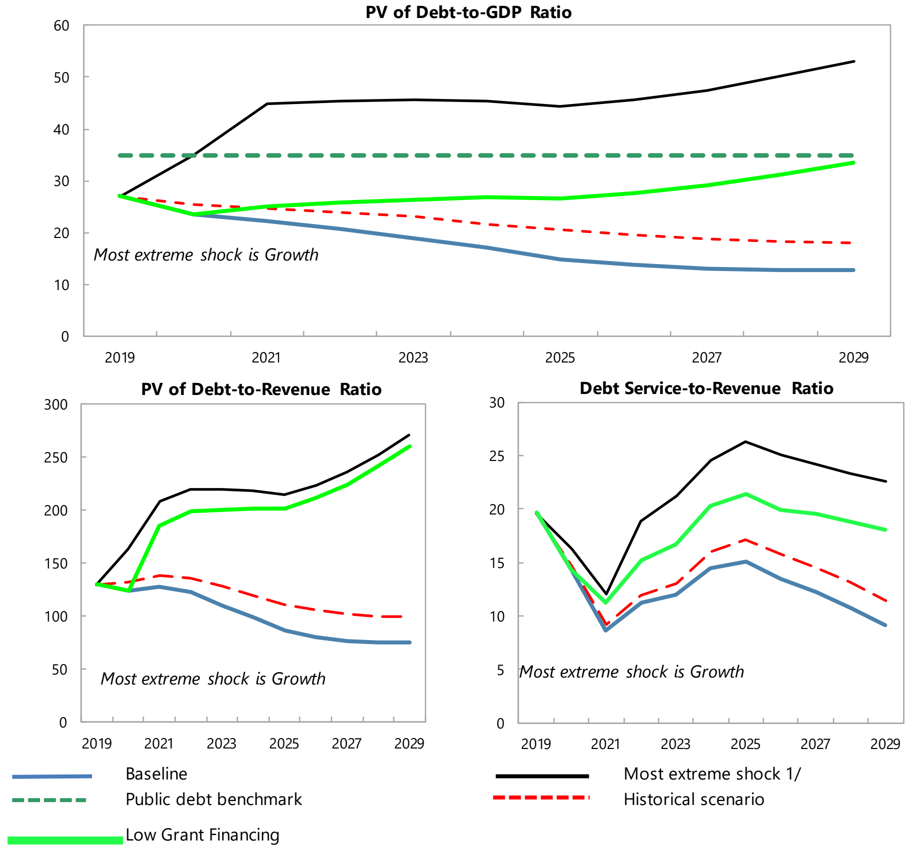
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Central African Republic: Indicators of Public Debt Under Alternative Scenarios, 2019–29



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	85%	85%
Domestic medium and long-term	6%	6%
Domestic short-term	10%	10%
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
Avg. maturity (incl. grace period)	33	33
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.2%	5.2%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	1%	2.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Central African Republic: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019-29 (percent)

	Projections										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	**17.0**	**15.8**	**15.5**	**14.9**	**13.9**	**12.8**	**11.5**	**10.8**	**10.5**	**10.6**	**10.9**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	17.0	18.3	20.1	21.4	22.3	23.2	24.9	26.8	29.0	31.7	34.8
A2. Alternative Scenario : Low Grant Financing	17.0	15.8	18.1	20.0	21.5	22.6	23.3	25.0	26.9	29.3	31.8
B. Bound Tests											
B1. Real GDP growth	17.0	19.9	24.5	23.5	22.0	20.2	18.1	17.1	16.5	16.7	17.2
B2. Primary balance	17.0	17.0	18.2	17.7	16.4	15.2	13.7	13.0	12.6	12.6	12.9
B3. Exports	17.0	17.0	18.8	18.0	16.9	15.6	14.1	13.4	13.0	12.9	13.1
B4. Other flows 2/	17.0	19.9	22.8	21.9	20.7	19.2	17.5	16.7	16.1	15.8	15.8
B5. One-time 30 percent nominal depreciation	17.0	19.9	16.2	15.5	14.4	13.2	11.7	10.9	10.5	10.8	11.4
B6. Combination of B1-B5	17.0	25.0	29.1	27.9	26.2	24.3	22.0	20.9	20.1	19.9	20.1
C. Tailored Tests											
C1. Combined contingent liabilities	17.0	21.7	22.1	21.6	20.1	18.7	17.1	16.3	15.9	15.9	16.2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**
PV of debt-to-exports ratio											
Baseline	**109.7**	**103.7**	**102.8**	**101.0**	**97.4**	**92.7**	**83.3**	**77.7**	**74.6**	**74.7**	**76.5**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	109.7	119.5	132.8	144.9	156.1	167.9	180.9	193.1	207.1	224.4	243.9
A2. Alternative Scenario : Low Grant Financing	109.7	103.7	120.1	135.7	150.4	163.4	169.2	179.8	192.4	207.4	223.2
B. Bound Tests											
B1. Real GDP growth	109.7	103.7	102.8	101.0	97.4	92.7	83.3	77.7	74.6	74.7	76.5
B2. Primary balance	109.7	110.9	120.6	119.7	114.8	109.8	99.7	93.7	90.1	89.5	90.6
B3. Exports	109.7	127.9	163.3	160.4	155.5	148.7	134.9	126.7	121.6	120.0	120.8
B4. Other flows 2/	109.7	130.5	151.3	148.7	144.9	139.3	127.4	120.5	115.1	112.0	110.9
B5. One-time 30 percent nominal depreciation	109.7	103.7	85.4	83.9	80.4	76.0	67.5	62.4	59.7	60.9	63.8
B6. Combination of B1-B5	109.7	141.4	129.9	148.5	144.2	138.1	125.6	118.3	112.5	110.6	110.8
C. Tailored Tests											
C1. Combined contingent liabilities	109.7	142.3	146.3	146.0	140.9	135.5	124.0	117.4	113.4	112.7	113.7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**
Debt service-to-exports ratio											
Baseline	**6.9**	**5.4**	**5.4**	**7.0**	**7.8**	**10.9**	**11.8**	**10.6**	**8.9**	**7.0**	**4.7**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	6.9	5.7	6.2	8.5	10.2	15.1	17.5	16.7	15.5	13.6	10.8
A2. Alternative Scenario : Low Grant Financing	6.9	5.4	5.4	7.4	8.8	12.3	13.5	12.8	12.2	11.4	**10.1**
B. Bound Tests											
B1. Real GDP growth	6.9	5.4	5.4	7.0	7.8	10.9	11.8	10.6	8.9	7.0	4.7
B2. Primary balance	6.9	5.4	5.5	7.3	8.1	11.2	12.0	11.0	9.6	8.1	5.8
B3. Exports	6.9	6.2	7.3	9.7	10.9	14.9	16.1	14.5	12.6	10.8	7.7
B4. Other flows 2/	6.9	5.4	5.8	7.7	8.6	11.6	12.4	11.2	10.7	9.7	7.2
B5. One-time 30 percent nominal depreciation	6.9	5.4	5.4	6.7	7.6	10.6	11.5	10.4	8.7	6.0	3.8
B6. Combination of B1-B5	6.9	5.8	6.7	8.6	9.6	13.1	14.1	12.7	12.2	9.9	7.1
C. Tailored Tests											
C1. Combined contingent liabilities	6.9	5.4	6.0	7.6	8.5	11.6	12.4	11.2	9.5	7.5	5.2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Debt service-to-revenue ratio											
Baseline	**10.8**	**8.1**	**7.8**	**9.6**	**10.2**	**13.4**	**14.2**	**12.7**	**10.6**	**8.3**	**5.5**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	10.8	8.6	8.9	11.7	13.2	18.6	21.2	20.0	18.4	16.1	12.7
A2. Alternative Scenario : Low Grant Financing	10.8	8.1	7.8	10.2	11.4	15.1	16.3	15.4	14.6	13.5	**11.9**
B. Bound Tests	10.8	8.1	7.8	10.2	11.4	15.1	16.3	15.4	14.6	13.5	**11.9**
B1. Real GDP growth	10.8	10.2	12.3	15.2	16.1	21.2	22.4	20.1	16.8	13.1	8.7
B2. Primary balance	10.8	8.1	8.0	10.0	10.6	13.8	14.5	13.1	11.4	9.6	6.8
B3. Exports	10.8	8.2	8.1	10.2	10.8	14.0	14.7	13.2	11.5	9.8	6.8
B4. Other flows 2/	10.8	8.1	8.4	10.6	11.2	14.3	15.0	13.4	12.8	11.5	8.5
B5. One-time 30 percent nominal depreciation	10.8	10.2	9.8	11.5	12.4	16.5	17.5	15.6	13.0	8.9	5.6
B6. Combination of B1-B5	10.8	10.1	12.5	15.1	15.9	20.6	21.7	19.4	18.5	14.9	10.6
C. Tailored Tests											
C1. Combined contingent liabilities	10.8	8.1	8.7	10.6	11.1	14.2	14.9	13.4	11.3	8.9	6.1
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Includes official and private transfers and FDI.

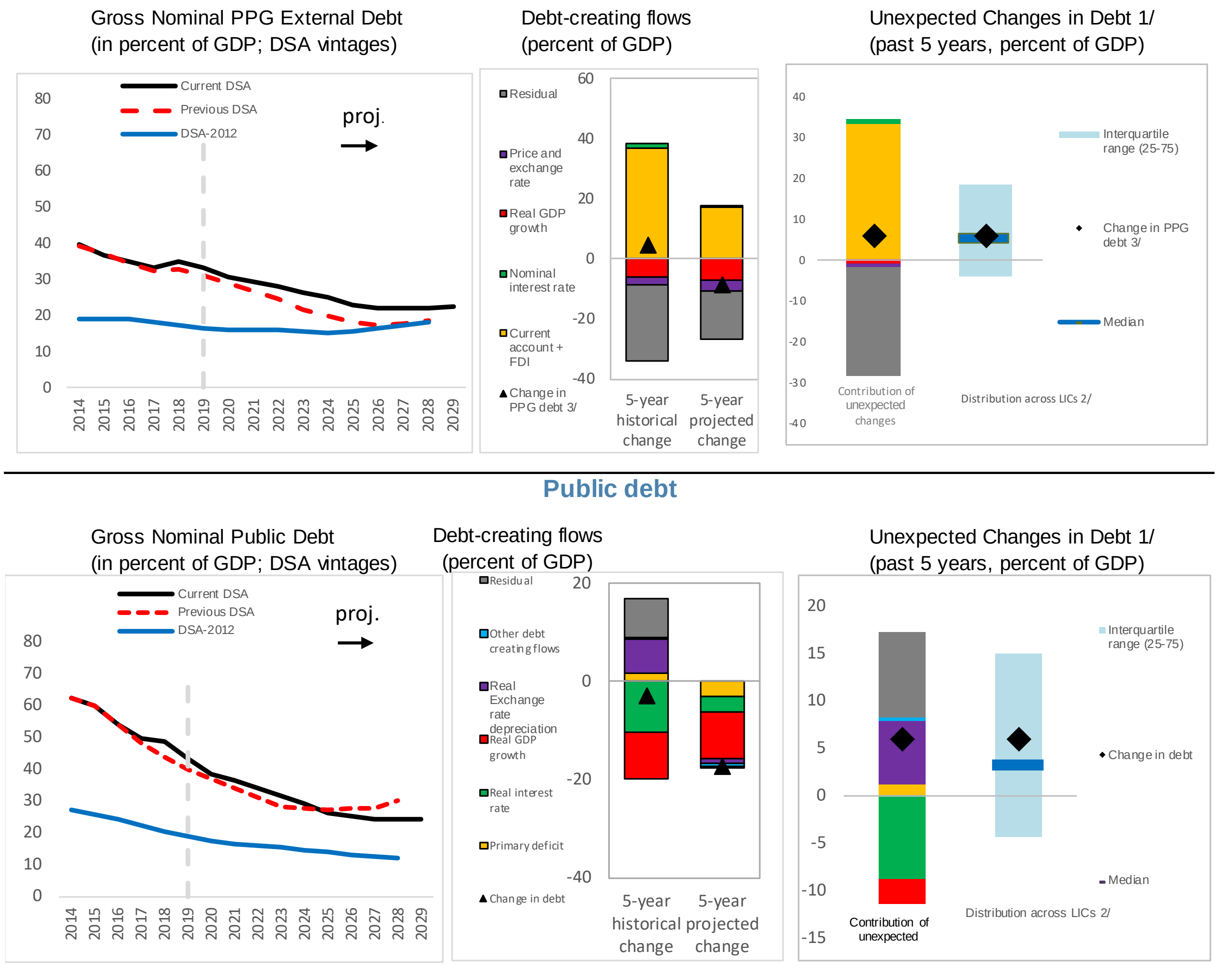
Table 4. Central African Republic: Sensitivity Analysis for Key Indicators of Public Debt, 2019-29 (percent)

	Projections										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	**27.1**	**23.6**	**22.4**	**20.8**	**18.9**	**17.1**	**14.9**	**13.8**	**13.0**	**12.8**	**12.8**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	27	25	25	24	23	22	20	20	19	18	18
A2. Alternative Scenario : Low Grant Financing	27	24	25	26	26	27	27	28	29	31	33
B. Bound Tests											
B1. Real GDP growth	27	35	45	45	46	45	44	46	47	50	53
B2. Primary balance	27	26	26	24	22	20	18	16	16	15	15
B3. Exports	27	25	25	24	22	20	17	16	15	15	15
B4. Other flows 2/	27	28	30	28	26	24	21	20	19	18	18
B5. One-time 30 percent nominal depreciation	27	32	29	26	24	21	18	15	14	13	12
B6. Combination of B1-B5	27	27	29	27	25	24	21	20	19	18	18
C. Tailored Tests											
C1. Combined contingent liabilities	27	32	30	28	26	24	21	20	19	18	18
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**
PV of Debt-to-Revenue Ratio											
Baseline	**129.8**	**123.8**	**128.2**	**122.2**	**110.1**	**99.0**	**86.5**	**80.3**	**76.4**	**75.6**	**75.8**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	130	132	139	136	128	119	111	106	102	100	99
A2. Alternative Scenario : Low Grant Financing	19.666	14.4053	11.2866	15.2563	16.6601	20.342	21.4524	19.962	19.5191	18.7979	18.0228
B. Bound Tests											
B1. Real GDP growth	130	164	208	219	219	218	215	224	236	252	270
B2. Primary balance	130	135	147	140	128	116	102	96	91	90	89
B3. Exports	130	129	145	139	126	114	101	94	90	88	88
B4. Other flows 2/	130	145	170	164	149	136	122	115	110	107	105
B5. One-time 30 percent nominal depreciation	130	174	172	161	145	125	105	93	83	77	73
B6. Combination of B1-B5	130	139	155	148	136	128	114	107	103	103	103
C. Tailored Tests											
C1. Combined contingent liabilities	130	170	171	163	150	137	122	115	110	109	109
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	**19.7**	**14.4**	**8.7**	**11.3**	**12.0**	**14.5**	**15.0**	**13.5**	**12.2**	**10.7**	**9.2**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	20	15	9	12	13	16	17	16	15	13	11
A2. Alternative Scenario : Low Grant Financing	19.666	14.4053	11.2866	15.2563	16.6601	20.342	21.4524	19.962	19.5191	18.7979	18.0228
B. Bound Tests											
B1. Real GDP growth	20	16	12	19	21	25	26	25	24	23	23
B2. Primary balance	20	14	11	15	14	15	15	14	13	12	10
B3. Exports	20	14	9	12	12	15	15	14	13	12	10
B4. Other flows 2/	20	14	9	12	13	15	16	14	14	13	11
B5. One-time 30 percent nominal depreciation	20	15	10	13	14	17	18	16	14	12	10
B6. Combination of B1-B5	20	15	10	14	15	18	19	17	16	14	13
C. Tailored Tests											
C1. Combined contingent liabilities	20	14	17	17	14	15	16	14	13	11	10
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
2/ Includes official and private transfers and FDI.

Figure 3. Central African Republic: Drivers of Debt Dynamics – Baseline Scenario

External Debt



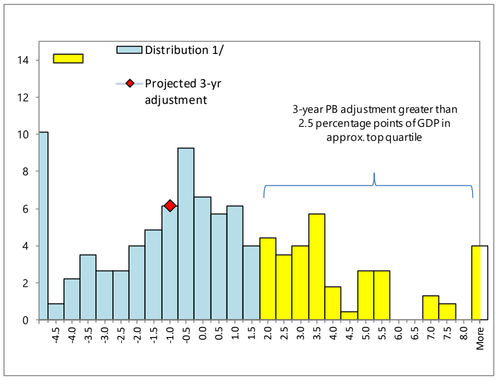
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

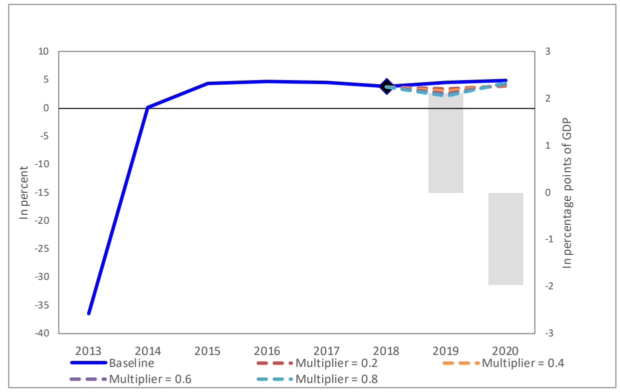
Figure 4. Central African Republic: Realism tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



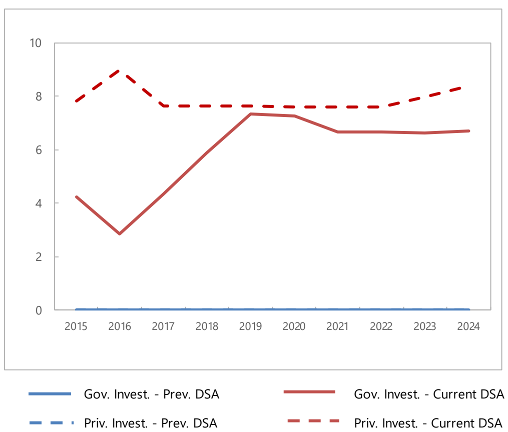
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

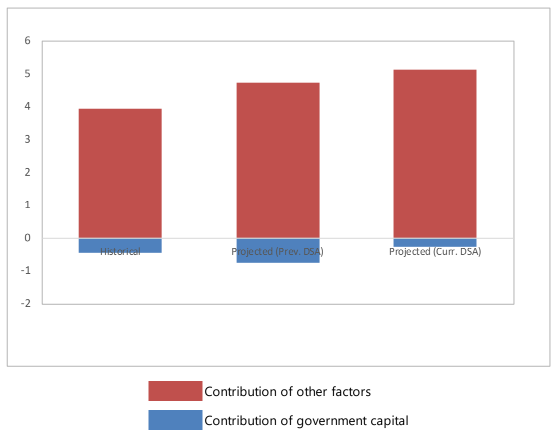


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(% of GDP)



Contribution to Real GDP growth
(percent, 5-year average)



INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

June 24, 2019

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION

Prepared By The African Department

1. **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.

2. **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 Sixth Review under the Extended Credit Facility arrangement notwithstanding official bilateral arrears to Libya.

Annex I. 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 are 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 and meetings (most recently in March 2019 in Tunis), 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.

  - *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 HIPC 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.

Statement by Mr. Raghani, Mr. N'Sonde, and Mr. Bangrim Kibassim on Central African Republic
July 1, 2019

1 The Central African Republic (C.A.R.) authorities seize the opportunity of the Sixth and final review of their economic and financial program under the Extended Credit Facility (ECF) to express their satisfaction of the engagement with the IMF. They welcome the constant support of the Executive Board, Management and Staff which has been instrumental to sustaining their policy and reform agenda.

2. The authorities' successful efforts to restore macroeconomic stability with the assistance of the development partners, particularly the IMF, has laid the ground for economic growth and exit from armed conflict. Program performance has been satisfactory, despite security and administrative challenges. CAR's macroeconomic indicators have substantially improved. This has resulted in a positive contribution to the CEMAC recovery strategy, in particular the regional efforts to rebuild foreign exchange reserves.

3. Progress has been made in restoring peace. The authorities consider the National Recovery and Peacebuilding Plan (RCPCA) and the recent Political Agreement for Peace and Reconciliation as major steps towards improving security conditions, restoring state authority, strengthening national cohesion, and expanding economic activities. To sustain this positive development, the authorities intend to maintain a close collaboration with the Fund going forward.

I. Recent Economic Developments, Program Performance, and Outlook

Recent Economic Developments

4. The economy recorded a slowdown in 2018 due to a decline in production in the forestry and diamond sectors and is estimated at 3.8 percent compared to 4.5 percent in 2017. In 2018, average inflation declined to 1.6 percent from 4.5 percent in 2017 resulting from a drop in food and manufacturing products prices. The current account deficit remained at a similar level as the year before at around 8 percent of GDP. CAR recorded a fiscal surplus of 0.4 percent of GDP in 2018 compared to a deficit of 1.1 percent in 2017. Public debt went down at 48.8 percent of GDP in 2018 from 49.4 percent in 2017.

Program Performance

5. The program performance has been satisfactory. All quantitative performance criteria (PC) except two have been met at end-December 2018, including the continuous criteria on contracting or guaranteeing new external non-concessional debt and on non-accumulation of external payment arrears. Among the two PCs that were not met, the one on domestic arrears repayment was missed by a very small margin. The level of priority social spending has been satisfactory and reached CFA 37 billion exceeding the target by CFA 7 billion. During the program, the ratio of spending through extraordinary procedures declined from 24 percent in 2017 to 10 percent in the first quarter of 2019 although it exceeded the 5-percent target.

6. At end-March 2019, two of the five structural benchmarks (SBs) were met. Among the remaining three SBs, two were implemented with delay notably the one regarding the legislation governing public agencies. Regarding the last SB on the elimination of parafiscal taxes without economic justification, the authorities intend to complete it by the end of the year.

Outlook and Risks

7. Going forward, the outlook is encouraging given the country's economic potential. Real GDP is expected to average 5 percent over the medium-term owing to positive developments in forestry, agriculture, diamond, construction and telecommunications sectors. These activities will be sustained by increased investments in energy production. Inflation is projected to remain below the regional convergence criterion. That said, downside risks remain and include security conditions, weak human capacity, delays in development partners' support, worsening global trade tensions and an increase in international oil prices. On the upside, risks include a successful implementation of the peace agreement, progress in the Disarmament, Demobilization and Reintegration (DDR) process and the restauration of state authority. This will catalyze the execution of investment projects and economic activities.

II. Policy and Reform Agenda for the Medium-Term

8. As the RCPCA and the new political agreement are being implemented, reinforcing efficiency and transparency by streamlining public financial management while focusing on governance and other structural issues, remain the focus of the Central African authorities.

Fiscal Policy

9. The government has submitted a draft supplementary budget to the parliament which targets a domestic primary fiscal deficit of 2.5 percent of GDP. It supports the implementation of a prudent fiscal policy considering the peace agreement, the military and defenses programming laws, and the deployment of public administration, among other priorities.

10. The government will strive to enhance domestic revenue mobilization notably by streamlining exemptions, strengthening VAT collection and reinforcing IT system (ASYCUDA and SYSTEMIF) in customs and tax administrations. In addition, administrative measures are being taken to upgrade customs offices and ensure an appropriate collection of timber exports revenue. In addition to these internal efforts, the authorities highly appreciate the budgetary support from partners and call on them to swiftly deliver on their commitments.

11. On the expenditure side, priority will continue to be given to social spending. The authorities also face the daunting humanitarian and fiscal challenges posed by the significant level of refugees and internally-displaced persons representing more than 20 percent of the population. This situation will be alleviated if security conditions are improved and peace restored, which requires an increased support of the international community.

12. The rationalization of parafiscal taxation is a critical reform under the current ECF supported program. The government is determined to transfer all taxes to the Treasury Single Account (TSA). However, the completion of the reform requires more time than expected, given the need to conduct audits of all public agencies. The authorities are confident that this reform will be completed by end-December 2019.

Debt Management

13. The authorities are making significant progress in strengthening the institutional and operational debt management frameworks. Aware of the country's high risk of debt distress and although domestic and external vulnerabilities are declining, the government is committed to limit borrowing to highly concessional financing. Since the Fifth Review, no new non-concessional loan has been contracted by the government or state enterprises. In their efforts to clear remaining external arrears, the authorities are continuing negotiations with official creditors in good faith.

14. Regarding domestic debt, the government is making encouraging efforts to clear arrears as shown by the repayment of domestic arrears exceeding the target of CFA 7.5 billion by nearly 15 percent.

Financial Sector

15. The improved economy coupled with enhanced supervision of the regional banking supervisory body, COBAC (*Commission Bancaire de l'Afrique Centrale*) has helped strengthen CAR financial sector soundness. The banking system is liquid and well capitalized, and the clearance of domestic arrears has significantly contributed to reduce the level of non-performing loans to 15.6 percent in 2018 from 22.9 percent in 2017. In addition, banks have broadly complied with prudential and governance standards and continue to implement the recommendations set forth by COBAC to enhance their financial stability. Further progress is being made towards strengthening internal control mechanisms and addressing AML/CFT issues.

Capacity Building

16. Given the country's weak administrative capacity and its fragile situation, capacity building provided by the IMF and development partners has effectively complemented the support under the ECF program. The authorities welcome the IMF's technical assistance - particularly the Capacity Building Framework (CBF) pilot project - of which they are making an efficient use. They continue to seek assistance to strengthen customs administration, debt management, expertise of the High Authority for Good Governance (HAGG) and budgetary procedures.

Promoting Good Governance and an Attractive Business Climate

17. The authorities attach the highest importance to enhancing transparency, good governance and the business climate. Efforts are being pursued to implement the national strategy for good governance developed by the HAGG with support from the UNDP. Technical assistance from the IMF is been sought to adopt good practices and increase accountability, notably in the areas of fiscal governance, anti-corruption strategy and policies and AML/CFT. Moreover, a draft law for strengthening the regulation of asset declaration by senior officials is under preparation.

18. The authorities plan to implement reforms geared towards strengthening the judiciary system, simplifying the forestry taxation regime and enhancing transparency in the extractive industry, with the view to make the business environment more conducive and attract foreign direct investment. The creation of a credit bureau and an arbitration center, and the revision of labor and mining codes with support from the World Bank are additional steps being considered by the government to further improve the business climate.

III. Conclusion

19. The authorities have made significant inroads in the implementation of the ECF-supported program. Considering their achievements, the authorities are requesting Board support for the completion of the Sixth Review of the ECF Arrangement and waivers of non-observance of the end-December 2018 performance criteria. In order to consolidate the results gained from the successful implementation of the ECF arrangement, the authorities expressed their interest in a successor arrangement to continue to support the implementation of the economic development policies.