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CENTRAL AFRICAN REPUBLIC

April 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE CENTRAL AFRICAN REPUBLIC

In the context of the Request for Disbursement under the Rapid Credit Facility, 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 April 20, 2020, following discussions that ended on April 8, 2020 with the officials of the Central African Republic on economic developments and policies underpinning the IMF disbursement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on April 14, 2020.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for the Central African Republic.

The document listed below has been or will be separately released.

Letter of Intent sent to the IMF 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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PRESS RELEASE

PR 20/175

IMF Executive Board Approves a US$38 Million Disbursement to the Central African Republic to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- *If not contained, the pandemic could have a considerable economic and social impact on the Central African Republic, a fragile state with limited existing capacity to contain it.*
- *To address the urgent balance-of-payments needs, the IMF approved US$38 million emergency assistance for the Central African Republic under the Rapid Credit Facility. The country will also benefit from IMF debt service relief under the Catastrophe Containment and Relief Trust.*
- *The authorities have acted fast by preparing, in collaboration with the WHO, a response plan to strengthen the national health system and by implementing measures to help contain the COVID-19 spread and mitigate its impact on the economy.*

WASHINGTON, DC – **April 20, 2020.** The Executive Board of the International Monetary Fund (IMF) approved today a disbursement under the Rapid Credit Facility (RCF) equivalent to SDR 27.85 million (US$38 million, 25 percent of quota) to help the Central African Republic (C.A.R.) meet the urgent balance of payments needs stemming from the COVID-19 pandemic.

C.A.R. has also benefited from the IMF Executive Board decision of April 13, 2020 to provide debt service relief to all countries eligible for support from the International Development Association (IDA) in the form of grant assistance under the Catastrophe Containment window of the Catastrophe Containment and Relief Trust (CCRT). As a result, C.A.R. will receive relief from the CCRT on debt service falling due to the IMF in the next 6 months (about US$4 million). This relief could be extended for up to 2 years, subject to the availability of resources under the CCRT.

If not contained, the COVID-19 pandemic could have a considerable economic and social impact on the C.A.R. The sharp global economic downturn and border closures with neighboring countries have already led to a significant reduction in economic activity, with sectors such as commodity exports, trade, and construction particularly hard-hit.

The authorities have acted fast to prevent the spread of the pandemic by setting up preventive measures and designing a response plan, in collaboration with the WHO. The plan aims at: (i) providing medical care of confirmed cases; (ii) improving monitoring system for the country's main points of entry and; (iii) strengthening the capacity of medical staff and facilities. IMF financing will help preserve fiscal sustainability and catalyze further assistance from the international community, in the form of grants.

The IMF continues to monitor C.A.R.'s situation closely and stands ready to provide policy advice and further support as needed.

Following the Executive Board's discussion on C.A.R., Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

"The global COVID-19 crisis is expected to have a considerable economic and social impact on the Central African Republic (C.A.R.), a fragile country with a volatile security environment, limited administrative capacity, and weak governance. The outbreak will likely affect C.A.R.'s economy both directly, as containment measures impact domestic demand and disrupt supply and trade, and indirectly, as the marked slowdown in economic activity worldwide will affect demand for C.A.R.'s commodity exports. Along with a decline in financial flows, the latter will create substantial urgent external financing needs.

"To limit the pandemic's human and economic impact, the authorities have adopted measures— including border closures, school closings, and prolonged curfews—to contain its spread and prepared, in collaboration with the World Health Organization, a response plan to strengthen the health system's capacity. In addition, the regional central bank and banking commission are taking steps to support growth and preserve financial sector stability.

"A temporary widening of the budget deficit is warranted in the short term to allow for the implementation of the response plan while continuing to meet C.A.R.'s considerable social, infrastructure, and security needs. The IMF's emergency financial support under the Rapid Credit Facility, along with the additional donor grant financing it will help to catalyze, will address C.A.R.'s urgent balance of payments needs while supporting this temporary fiscal loosening. The recent approval of debt service relief for C.A.R. under the Catastrophe Containment and Relief Trust (CCRT) will also play an important role in freeing up resources to cope with the pandemic.

"The implementation of the policies and structural reforms to which the authorities committed under the ECF arrangement adopted in December remains key to ensuring macroeconomic stability and debt sustainability and restoring sustained inclusive growth. Additional external support, preferably in the form of grants, is also urgently required to meet C.A.R.'s elevated financing needs and ease the financial burden of the pandemic. These are also essential to the authorities' efforts to restore peace and prosperity in the country."

More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)
https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

IMF Executive Board calendar
https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

April 13, 2020

EXECUTIVE SUMMARY

Context. While the number of detected cases has so far been limited, the COVID-19 pandemic, if not contained, could have a considerable economic and social impact in C.A.R. and could exacerbate tensions in an already volatile environment. The security situation remains precarious, with sporadic outbreaks of violence in the regions, while political tensions could flare up in the run-up to the December presidential and legislative elections. In this context, the authorities have adopted a comprehensive response plan aimed at containing the spread of the virus and at increasing state capacity to assist infected people.

Request for Fund support. To help address urgent balance of payments needs arising from the economic impact and mitigation efforts of the COVID-19 pandemic, the authorities are requesting a disbursement of SDR 27.85 million, equivalent to 25 percent of quota, under the Rapid Credit Facility (RCF), with the full amount to become available upon Board approval. Staff supports the request. The authorities are also seeking additional grant financing from multilateral and bilateral donors to cover the remaining financing needs. They have also requested Fund assistance from the Catastrophe Containment and Relief Trust.

Policy response. The authorities intend to allow the fiscal deficit to increase to accommodate most of the fiscal impact of the pandemic, which will comprise a significant shortfall in revenue and additional outlays as part of the response plan. While they intend to streamline non-priority expenditures, this accommodative stance will allow them to continue meeting pressing social, infrastructure, and security spending needs. The authorities have also reiterated their intention to pursue the policies and structural reforms to which they committed under the ECF arrangement approved last December.

Approved By
Analisa Fedelino (AFR) and Seán Nolan (SPR)

An IMF team consisting of Messrs. Martin (head), Diaby, Million, Ouedraogo and Ms. Esham (all AFR), and Messrs. Basdevant (FAD), and Davies (resident representative) held discussions with the Central African authorities by videoconference on April 8, 2020. Ms. Attey's help with the production of the staff report is gratefully acknowledged.

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CONTEXT

1. **While improving slowly, the security situation remains precarious at the start of this electoral year.** More than one year after it was signed in February 2019, the Political Agreement for Peace and Reconciliation still holds and has, belatedly, started to translate into some tangible progress, such as the deployment of government forces in some regions and the gradual establishment of mixed security brigades. Sporadic outbreaks of violence have, however, left many dead, both in Bangui in late December and in the Northern provinces since then, underlining the precarious nature of the situation and the challenges ahead. As a result, the number of refugees is believed to have increased slightly over the last few months, to around 611,000 (about 13 percent of the population) at end-February.[1] The tensions that surrounded the return to the C.A.R. of two former presidents, while well managed, illustrated the risks of instability in the run-up to the presidential and legislative elections scheduled for December.[2] The financing of the elections is not yet fully secured.[3]

2. **With 10 cases of Covid-19 infection already confirmed in C.A.R., the authorities have adopted a number of measures to contain its spread and a response plan to strengthen the capacity of the country to cope with its impact.** These measures include the closing of borders, schools, and most public establishments, a ban on meetings of more than 15 people, and restrictions on the movement of people from Bangui. The response plan, costing about CFAF 27 billion (2 percent of GDP), was prepared in collaboration with the World Health Organization (WHO), and aims at addressing some of the national health system's main weaknesses in a more durable way (Box 1).

3. **The authorities have requested a disbursement under the Rapid Credit Facility (RCF) to address the urgent balance of payments needs generated by the COVID-19 crisis.** This will allow the authorities to implement their response plan without having to unduly reduce other necessary social, infrastructure, and security spending. Thus, it will contribute to maintaining security and stability while enabling the continued implementation of the peace agreement and preparation for the elections.

4. **Performance under the new ECF program has been disappointing so far.** Based on preliminary data, all the end-December quantitative performance criteria were missed, on account of low domestic revenue, high government spending, and low domestic arrears repayments (see ¶6). Furthermore, quantitative indicators on social spending and the recourse to exceptional spending procedures were also breached, while the end-January structural benchmark on the recruitment of a

[1] The estimate of the number of internally displaced persons has not been updated since October, when it stood at 600,000 (12 percent of the population).

[2] The first round is scheduled for December 27, 2020 and the second round for February 14, 2021.

[3] The UN Peacebuilding Commission has identified only about US$20 million (US$15 million from the EU, US$3 million by UNDP and US$2 million by the CAR's authorities) of the about US$30 million it considers necessary.

service provider to assist the authorities in controlling import valuation and securing timber export revenues was not met.

Box 1. Response Plan to the COVID-19 Pandemic

- The authorities have been monitoring the COVID-19 pandemic since it first spread beyond China; this has intensified since the first cases were detected in Africa. On March 6, the government adopted a series of measures applicable to all individuals traveling to C.A.R., including asking people entering the country to submit to a mandatory temperature check and asking travelers arriving from countries with many confirmed cases to self-quarantine. On March 26, President Touadéra announced that new measures would be applied for 15 days, including: the closing of schools and the country's borders; a ban on any assembly involving more than 15 people; and restriction of movement of people from Bangui to other regions.
- Despite these prevention measures, a first confirmed (imported) case of COVID-19 was reported on March 14 and 9 others had been reported by April 8.
- Notwithstanding the country's overall fragility, C.A.R.'s health system has some strengths, most notably: an epidemic management system that has drawn experience from the recent Ebola crisis in the Democratic Republic of Congo; a network of laboratory centers across the country, including the WHO-accredited Institut Pasteur de Bangui; and a network of hospitals and drug suppliers across the country, which are crucial to fight the pandemic.
- However, the health system still faces key challenges in confronting the pandemic, including: the lack of Covid-19 specific management system; the weak coordination mechanisms between the various partners; the unpreparedness of the medical teams; the low capacity of laboratories; and the limited public communications on the Covid-19 disease.
- Accordingly, to slow down and eventually contain the further spread of the virus, the authorities adopted on March 17 a response plan, prepared in collaboration with the WHO. Overall, the response plan identifies the key challenges and the necessary steps to be put in place to efficiently respond to the Covid-19 pandemic in C.A.R. It contains measures to substantially strengthen the health system's capacity to deal with pandemics such as the current one.
- In the short term, the primary objective of the response plan is to ensure that the C.A.R. health system is ready to face a domestic major outbreak of the Covid-19. To do so, the plan rolls out five strategic pillars. There are designed to strengthen the coordination and collaboration between the various sectors, improve the management and lab capacities, step up the prevention measures, improve the medical treatment of confirmed cases and, finally, improve the communication and promote health.

RECENT DEVELOPMENTS

5. **At about 3 percent, growth was lower than projected (4½ percent) in 2019**, reflecting primarily a sharp fall in cotton and coffee production (owing to the longtime mismanagement of the sectors and to insecurity). While increasing, diamond and gold production was also lower than projected in 2019. Inflation remained contained, averaging 2.7 percent in 2019. Preliminary estimates suggest that, at about CFAF 65 billion, the current account deficit was slightly lower than expected (CFAF 76 billion) in 2019, owing mainly to a sharp increase in current transfers by NGOs and an upward revision of the revenues paid by the United Nations Multidimensional Integrated

Stabilization Mission in the C.A.R. (MINUSCA) to its local employees. As expected, the trade deficit increased slightly, to more than 15 percent of GDP, on buoyant imports.

6. **Fiscal developments did not meet expectations in 2019.** At CFAF 47.1 billion, the domestic primary fiscal balance was significantly higher than targeted under the ECF arrangement (CFAF 40.9 billion, leading to a deviation of 0.5 percent of GDP), reflecting both lower domestic revenue and higher primary spending. The CFAF 1.9 billion revenue shortfall reflected primarily lower provincial revenue and transfers to the budget of the parafiscal taxes levied by public agencies. The higher spending owed mainly to the fact that the savings on goods and services discussed last October were not fully implemented, which were only partly offset by lower capital expenditures. Social spending was lower than targeted (CFAF 22.7 vs. 25 billion). While declining further, the use of exceptional spending procedures remained, at 5.5 percent, slightly above the 5-percent target. The higher deficit was financed through lower deposit accumulation with BEAC and slightly lower-than-targeted (CFAF 28.5 vs. 29.5 billion) domestic arrears repayments.

7. **Based on preliminary estimates, the public debt-to-GDP ratio continued to decline in 2019, albeit by less than anticipated.** The ratio is estimated at about 48 percent at end-2019, compared to 50 percent at end-2018 and 63 percent at end-2014. The authorities have continued their efforts to resolve pre-HIPC external arrears.

8. **At end-2019, the banking system remained adequately capitalized, liquid, and profitable** (Table 7)**.** The capital adequacy ratio remained above 30 percent. The non-performing loans ratio declined further, to 12.6 percent. At the same time, credit to the private sector decelerated further, declining by 1.6 percent year-on-year in December, owing to the ongoing insecurity, political uncertainty, and limited business environment.

9. **Some delays were incurred in the implementation of structural reforms, while some areas registered encouraging progress.** An end-January structural benchmark was not met as the authorities' decision to hire two service providers rather than one prolonged the hiring process: while the authorities recruited on time a new service provider to assist them with import valuation, the recruitment of a service provider to help them certify and secure timber export revenues has still to be finalized. Some difficulties were also encountered in the consolidation of the Treasury single account, with the transfer of the parafiscal taxes levied by public agencies to the budget yielding so far less revenue than anticipated and some agencies having difficulties getting access to their budget allocations. On a more positive note, the reconciliation of the fiscal administrations' differing revenue estimates is now conducted on a daily basis and has been facilitated by the gradual deployment of the Sygma-Systac software. Also, digitalization efforts are well underway, as a pilot mobile payment of civil servants in three provinces was successful and a pilot electronic filing and electronic payment of taxes by large companies will be conducted in the coming weeks. Following the adoption by parliament of the new legal framework for public enterprises, the authorities are working on the drafting of secondary legislations.

IMPACT OF THE PANDEMIC, OUTLOOK, AND RISKS

10. **The pandemic is expected to have a considerable economic and social impact on C.A.R., a fragile state with limited existing capacity to contain it**. As seen in other countries, the outbreak will likely affect C.A.R.'s economy both directly as containment measures impact domestic demand and disrupt supply and trade and indirectly as the spread of the disease produces a marked slowdown in economic activity worldwide, impacting demand for C.A.R.'s commodity exports.[4]

11. **Reflecting this impact, the outlook for 2020 has worsened substantially and is subject to much uncertainty:**

- At 1 percent, growth is expected to be significantly lower than previously envisaged (5 percent), reflecting lower external and domestic demand and likely constraints on supply as containment measures are implemented. Trade with neighboring countries will also be affected by border closures. Inflation would pick up, owing in part to these trade and supply disruptions.
- The primary domestic fiscal balance is likely to be substantially larger than targeted under the ECF (5.8 vs. 2.7 percent of GDP), reflecting mainly the revenue shortfall stemming from lower growth and trade and the increase in health expenditures, which the authorities intend to largely accommodate (see ¶16).
- The external overall balance will also be substantially impacted, as lower commodity (wood, diamonds) exports, remittances and financial flows (including FDI) and higher imports of healthcare products will be only partly offset by lower other imports.

Text Table 1. Selected Economic Indicators, 2018–25

	2018	2019		2020		2021		2022	2023	2024	2025
	Est.	ECF request	Est.	ECF request	Proj.	ECF request	Proj.	Proj.			
	(Annual percentage change; unless otherwise indicated)										
Real GDP	3.8	4.5	3.0	5.0	1.0	5.0	4.0	5.0	5.0	5.0	5.0
Inflation (end of year)	4.6	-0.3	-2.8	2.5	3.5	2.5	2.5	2.5	2.5	2.5	2.5
Current account balance (percent of GDP)	-8.0	-5.6	-4.9	-6.3	-5.7	-5.3	-5.2	-5.2	-5.7	-5.8	-5.7
Overall fiscal balance (incl. grants, percent of GDP)	-1.0	1.8	1.4	-0.4	-2.1	0.2	0.4	-0.4	-1.1	-1.4	-1.6
Domestic primary fiscal balance (percent of GDP)	-1.7	-3.0	-3.5	-2.7	-5.8	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Public sector debt (percent of GDP)	50.0	47.1	47.8	42.6	47.1	39.8	44.5	41.5	39.3	37.5	36.1
Budget support (percent of GDP)	3.0	6.0	6.0	3.7	5.2	3.4	3.7	2.8	2.1	1.9	1.8

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

[4] Compared to other sub-Saharan African countries, C.A.R. may be subject to a smaller external shock, owing to its limited export base, its being an oil importer, and relatively small tourism receipts and private financial flows.

12. **Subject to the global recovery from the pandemic envisaged in the WEO baseline, the medium-term economic outlook remains favorable, provided that the implementation of the peace agreement continues and that the polices and structural reforms considered under the ECF arrangement are implemented.** Under these conditions, economic growth could increase to 4 percent in 2021 and 5 percent over the medium term, while inflation would average 2½ percent and the current account deficit would stabilize at around 6 percent of GDP.

13. **Risks to this outlook are considerable and skewed to the downside.** Most prominent among them is the possibility that the economic and social impact of the pandemic proves larger and more protracted than currently assumed and/or leads to an escalation of violence in the country. Weakened policy and reform implementation in the run-up to the elections could also drive the ECF arrangement further off track. Weaker-than-expected global growth and rising protectionism and retreat from multilateralism could affect exports. In view of C.A.R.'s high risk of debt distress and fragility, should the pandemic generate larger-than-currently anticipated external financing needs, the authorities should seek additional grant financing to limit policy adjustment needs.

14. **The authorities concurred with staff on the outlook and risks and on the need to pursue the reforms to which they had committed under the ECF.** They emphasized that the uncertainty surrounding the impact of the pandemic was particularly high, noting that a larger impact than currently anticipated could generate additional urgent financing needs in the coming months. They agreed that the situation should be monitored closely so as to be able to respond promptly should such needs materialize.

POLICY ISSUES AND DISCUSSIONS: RESPONDING TO THE PANDEMIC

15. **The cost of the response plan is estimated at CFAF 27 billion FCFA (2 percent of GDP).** The plan notably aims at: (i) providing medical care of confirmed cases; (ii) improving the monitoring system at the country's main points of entry and; (iii) improving the capacity of medical staff and facilities. This plan goes beyond an immediate response plan and includes measures to strengthen the capacity of the healthcare system to deal with such pandemics in the future.

16. **The authorities intend to allow the fiscal deficit to increase to accommodate the bulk of the fiscal impact of the pandemic.** This impact will stem primarily from: lower revenue owing to lower growth; a decline in local demand and disruptions to trade; and additional outlays to contain/fight the pandemic. To limit the resulting widening of the deficit, the authorities will seek to reduce by up to CFAF 6 billion (about 0.5 percent of GDP) non-priority expenditures, such as missions and cultural activities that are already significantly reduced as part of the containment measures. They consider that the rest of the impact should be accommodated so as to allow their other considerable social, infrastructure, and security spending needs to be met. The increase in the overall fiscal balance (excluding grants) will be financed through the on-lending to the government

of the RCF disbursement and the additional grant financing from other donors. The authorities indicated that they intended to identify additional savings on non-priority expenditures, and to mobilize additional grant financing from their development partners, to finance other measures to mitigate the economic and social impact of the crisis.

17. **C.A.R. remains at high risk of debt distress** (see debt sustainability analysis)**.** This risk has increased owing to the uncertainty surrounding the economic impact of the pandemic. While solvency indicators will remain below their relevant thresholds, the disbursement under the RCF will accentuate somewhat the breaches of the liquidity indicators over the medium term reported in the December 2019 debt sustainability analysis. This makes it all the more important for the authorities to follow a prudent approach to contracting new external debt, prioritizing grant financing with some limited room for concessional financing.

18. **The authorities reiterated their commitment to pursue the policies and structural reforms to which they had committed under the ECF arrangement adopted last December.** To ensure macroeconomic stability and debt sustainability while promoting sustained inclusive growth, they intend, as conditions permit, to pursue their efforts to enhance domestic revenue mobilization, strengthen public financial management and governance—including through the publication of the final report of the Fund's governance diagnostic mission and the the finalization and publication of an updated anti-corruption strategy—and enhance the business environment.

19. **The regional institutions will support the authorities' efforts to mitigate the impact of the pandemic:**

- On March 27, 2020, a package of monetary easing measures was adopted by BEAC's monetary policy committee (MPC). After analyzing the potential impact of the COVID-19 pandemic and the fall in crude oil prices on CEMAC economies and in view of the risk factors weighing on monetary and financial stability, the MPC noted the suspension of liquidity absorption operations and decided to: (i) loosen the monetary policy stance by decreasing the policy rate (TIAO) by 25 basis points, from 3.5 to 3.25 percent; (ii) narrow the interest rate corridor by decreasing the marginal lending facility rate by 100 basis points from 6 to 5 percent; (iii) increase the liquidity provision from CFAF 240 to 500 billion with the possibility of raising the amount of injections if necessary; and widen the range of private financial instruments accepted as collateral for monetary policy operations. The CPM also encouraged BEAC's management to propose to its Board a reduction in haircuts applicable to public securities and private instruments accepted as collateral for refinancing operations, and to postpone by one year principal repayment of consolidated central bank's credits to member states. The CPM also recommended that banks ensure continuity of financial services, including provision of cash through ATMs, strengthen operations of remote banking and reduce banking services costs.

- The COBAC is monitoring the financial sector closely. In a letter sent to banks and microfinance institutions on March 25, it requested that they: (i) review their loan portfolio in light of the pandemic; (ii) follow strictly existing loan classification and provisioning regulation, also in case of restructuring or reprofiling; (iii) use their conservation buffers of 2.5 percent to absorb pandemic-related losses as needed and thus hold a minimum of 8 percent solvency ratio, but follow a restrictive policy with regard to dividend distribution; and (iv) provide a recapitalization plan in case of capital shortfall. The COBAC further urged these institutions to continue providing essential financial services and implement their business continuity plans as needed. The COBAC stands ready to announce further measures to preserve financial stability and is implementing its own business continuity plan.

ACCESS, EXTERNAL ARREARS, AND CAPACITY TO REPAY

20. **The authorities are requesting a disbursement under the RCF in an amount equivalent to 25 percent of quota (SDR 27.85 million) to help C.A.R. address the urgent balance of payments needs generated by the COVID-19 pandemic.** The RCF access level is based on the current outlook, the urgent external financing needs, C.A.R.'s high risk of debt distress and outstanding liabilities to the Fund (Table 6). The disbursement, as direct budget support, will provide timely support to address the present and urgent additional external and fiscal financing needs generated by the COVID-19 crisis. The additional external financing need is estimated to amount to about CFAF 46 billion in 2020, of which CFAF 22.6 billion (about 49 percent) will be covered by the RCF disbursement. The World Bank is expected to provide CFAF 19.1 billion (equivalent to 42 percent of the estimated gap) in additional financing, while budget support by the European Union has been revised upward by CFAF 2 billion (4 percent of the gap), leaving about 5 percent of the gap (equivalent to CFAF 2.4 billion) to be filled.[5] To help fill this residual gap, the authorities have requested debt relief under the Catastrophe Containment and Relief Trust.

21. **Capacity to repay the Fund.** C.A.R.'s capacity to repay the Fund remains adequate, although subject to risks linked to the country's substantial debt to the Fund. The authorities are making regular deposits at the BEAC and have always met their Fund obligations in a timely manner. Significant Fund repayments are due in the coming years (Table 6). With the newly proposed access, debt service to the IMF (including previous obligations) would peak at SDR 41.7 million in 2026, equivalent to 10 percent of exports of goods and services. Risks pertaining to the capacity to repay the Fund are mitigated by C.A.R. being part of a monetary union (which gives it access to CEMAC's pool of reserves provided it has budgetary resources to purchase them), the maintenance of significant government deposits with BEAC over the medium term, and the upside potential from an eventual peace dividend. That said, C.A.R.'s deep-rooted challenges make it likely that the country will require continued Fund engagement, including some financing, for the foreseeable future.

22. **Safeguards Assessment.** The BEAC has implemented most of the recommendations from the 2017 safeguards assessment. In particular, the alignment of the BEAC's secondary legal

[5] The World Bank additional financing would include a US$25 million increase in the budget support provided as part of its DPO and a US$7.5 million emergency project operation.

instruments with its Charter was recently concluded, and work is advancing as planned on the full transition to IFRS for FY 2019.

23. **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 creditors have provided consent to Fund financing. C.A.R. remains in arrears to a private creditor and is continuing good-faith efforts to reach a collaborative agreement. As prompt financial support is considered essential to avoid economic disruption, 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 authorities reported that they are current on their remaining external debt service obligations.

STAFF APPRAISAL

24. **While the number of detected cases has so far been limited, if not contained the COVID-19 pandemic could have a considerable economic and social impact in C.A.R. and could exacerbate tensions in an already volatile environment.** C.A.R.'s deep-rooted fragility— including its limited healthcare capacity and the government's limited control over large areas of the country— makes it a potential fertile ground for the pandemic.

25. **In this context, staff welcome the authorities' swift preparation of a national response plan to contain the pandemic and mitigate its impact.** This plan was developed in collaboration with the WHO and will contribute to significantly strengthening the national healthcare system. While this plan and the social distancing measures enacted by the government should help contain the spread of the virus, growth is expected to be substantially lower than previously envisaged, with important downside risks.

26. **Staff supports the authorities' decision to accommodate most of the impact of the pandemic on the domestic primary fiscal balance.** Notwithstanding the pandemic, meeting the country's existing social, infrastructure and security needs should remain a priority, with continuation of the peace process an imperative. The envisaged additional financing support from the Fund, the World Bank, the EU and possibly from other donors will help finance the increase in the overall fiscal balance (excluding grants), estimated at 3¾ percent of GDP, while preserving adequate fiscal buffers.

27. **The authorities must continue implementing the policies and structural reforms to which they committed under the ECF arrangement.** These reforms are key to ensuring macroeconomic stability and debt sustainability and restoring sustained inclusive growth, which are fundamental to the authorities' efforts to restore peace and prosperity in the country. The Fund, in coordination with the other CD partners, will continue to provide technical assistance to help in the design and implementation of these reforms.

28. **Staff considers a disbursement under the RCF as the appropriate vehicle for supporting C.A.R. at this difficult time.** It recognizes that, owing to the pandemic, it will take some time to undertake serious efforts to bring the ECF-supported program back on track—implying delays in completing the first review, which could be combined with the second review and completed in the second half of the year, conditions permitting. Alternatively, a second drawing under the RCF could be considered if conditions warrant it.

29. **In this context, and in view of C.A.R.'s present and urgent balance of payments financing needs, the authorities' economic policies and reforms, and adequate capacity to repay the Fund, staff supports the authorities' request for a disbursement under the RCF in the amount of SDR 27.85 million (25 percent of quota).**

Table 1. Central African Republic: Selected Economic and Financial Indicators, 2018–25

	2018	2019		2020		2021	2022	2023	2024	2025
	Est.	ECF request	Est.	ECF request	Proj.			Proj.		
				(Annual percentage change; unless otherwise indicated)						
National income and prices										
GDP at constant prices	3.8	4.5	3.0	5.0	1.0	4.0	5.0	5.0	5.0	5.0
GDP per capita at constant prices	2.3	2.8	1.3	3.2	-0.7	2.0	3.0	3.0	3.0	3.0
GDP at current prices	5.2	7.4	5.5	7.6	3.4	6.6	7.7	7.6	7.6	7.6
GDP deflator	1.3	2.8	2.4	2.5	2.3	2.5	2.5	2.5	2.5	2.5
CPI (annual average)	1.6	3.2	2.7	2.5	1.2	2.5	2.5	2.5	2.5	2.5
CPI (end-of-period)	4.6	-0.3	-2.8	2.5	3.5	2.5	2.5	2.5	2.5	2.5
Money and credit										
Broad money	14.0	3.2	1.9	14.9	12.3	0.8	6.2	6.8	7.4	8.5
Credit to the economy	11.5	3.0	-1.6	5.0	-2.0	7.0	8.0	8.0	8.0	8.0
External sector										
Export volume of goods	10.3	-6.5	-6.7	14.9	-9.9	11.5	15.2	10.8	10.2	9.0
Import volume of goods	-0.7	10.4	10.4	7.8	-1.3	4.5	3.9	4.3	5.3	5.5
Terms of trade	-12.4	12.7	13.9	3.5	-0.1	5.9	3.8	2.1	-0.3	-1.1
				(Percent of GDP; unless otherwise indicated)						
Gross national savings	8.4	10.5	9.7	10.6	10.5	10.6	11.0	11.1	11.7	12.4
Of which: current official transfers	3.0	6.0	6.0	3.7	5.2	3.7	2.8	2.1	1.9	1.8
Gross domestic savings	-1.4	-1.9	-3.7	0.3	-1.1	-0.1	1.2	2.3	3.3	4.1
Government	-1.2	-1.6	-2.5	-1.3	-4.3	-0.6	-0.6	-0.5	-0.3	-0.1
Private sector	-0.2	-0.3	-1.2	1.6	3.2	0.5	1.8	2.8	3.6	4.3
Consumption	101.4	101.9	103.7	99.7	101.1	100.1	98.8	97.7	96.7	95.9
Government	7.7	7.3	8.0	7.5	8.9	7.5	7.7	7.7	7.7	7.7
Private sector	93.7	94.6	95.6	92.3	92.2	92.5	91.1	90.0	89.0	88.2
Gross investment	16.4	16.2	14.7	16.9	16.2	15.9	16.2	16.8	17.5	18.1
Government	7.4	7.1	5.6	7.9	8.7	7.6	7.3	7.3	7.4	7.6
Private sector	9.0	9.0	9.0	9.0	7.5	8.3	8.9	9.5	10.0	10.5
External current account balance										
with grants	-8.0	-5.6	-4.9	-6.3	-5.7	-5.2	-5.2	-5.7	-5.8	-5.7
without grants	-12.3	-12.9	-12.2	-11.6	-12.5	-10.7	-10.0	-9.7	-9.7	-9.4
Overall balance of payments	-1.7	1.0	-0.7	1.3	-0.5	0.2	0.8	1.8	2.2	2.7
Central government finance										
Total revenue (including grants)	16.6	19.4	18.3	18.6	19.6	18.9	18.3	17.5	17.4	17.3
of which: domestic revenue	8.9	8.7	8.7	9.7	8.5	10.3	10.6	10.7	10.9	11.1
Total expenditure [1]	17.6	17.6	16.9	19.0	21.7	18.6	18.6	18.6	18.7	18.9
of which: capital spending	7.4	7.1	5.6	7.9	8.7	7.6	7.3	7.3	7.4	7.6
Overall balance										
Excluding grants	-8.7	-8.9	-8.2	-9.3	-13.1	-8.3	-8.0	-7.9	-7.9	-7.8
Including grants	-1.0	1.8	1.4	-0.4	-2.1	0.4	-0.4	-1.1	-1.4	-1.6
Domestic primary balance [2]	-1.7	-3.0	-3.5	-2.7	-5.8	-2.5	-2.5	-2.5	-2.5	-2.5
Public sector debt	50.0	47.1	47.8	42.6	47.1	44.5	41.5	39.3	37.5	36.1
Of which: domestic debt [3]	13.9	10.2	10.4	7.8	8.3	7.4	6.3	5.5	4.6	4.4
Of which: external debt	36.1	36.9	37.5	34.8	38.9	37.1	35.2	33.9	32.9	31.7
Memorandum items:										
GDP per capita (US dollars)	489	500	480	534	486	513	545	576	608	642
Nominal GDP (CFAF billions)	1,266	1,360	1,335	1,464	1,380	1,471	1,584	1,705	1,834	1,974

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.

Table 2a. Central African Republic: Central Government Financial Operations, 2018–25

(Billions of CFAF)

	2018	2019		2020		2021	2022	2023	2024	2025
	Est.	ECF request	Est.	ECF request	Proj.			Proj.		
Revenue	210.5	263.2	244.8	271.7	269.9	278.5	289.3	298.0	318.7	342.2
Domestic revenue	112.4	118.0	116.1	141.7	117.7	151.0	168.3	182.9	199.7	218.6
Tax revenue	102.2	103.9	104.1	115.9	97.7	124.7	134.9	147.0	161.1	177.1
Income and property tax	21.6	23.3	23.5	25.6	22.3	27.7	30.5	32.1	37.1	38.7
Taxes on goods and services	51.6	54.3	54.3	58.9	49.6	62.8	66.7	74.5	81.5	91.0
Of which : VAT	33.1	34.4	34.4	36.3	30.1	38.2	40.8	46.1	50.2	56.0
Taxes on international trade	29.0	26.2	26.2	31.4	25.8	34.2	37.8	40.3	42.4	47.3
Non-tax revenue	10.2	14.1	12.0	25.8	20.0	26.4	33.4	35.9	38.6	41.6
Grants	98.1	145.2	128.7	130.0	152.2	127.5	121.0	115.1	119.0	123.5
Program	37.5	81.9	80.2	54.1	71.9	53.9	45.0	35.0	34.7	34.7
Project	60.6	63.3	48.5	75.9	80.3	73.6	76.0	80.1	84.4	88.8
Expenditure [1]	222.8	239.0	225.7	277.8	298.8	273.1	295.0	317.2	343.9	372.8
Primary Spending	134.4	158.9	163.2	181.6	198.3	187.6	207.5	225.9	246.0	268.7
Current primary expenditure	124.6	137.7	146.1	158.1	174.8	157.5	176.0	189.4	203.8	219.3
Wages and salaries	61.3	64.5	65.1	70.2	71.4	69.9	76.0	81.8	88.0	94.7
Transfers and subsidies	27.5	38.0	38.9	48.9	52.0	46.7	54.1	58.2	62.6	67.4
Goods and services	35.8	35.3	42.2	39.0	51.3	40.9	45.9	49.4	53.1	57.2
Interest	5.1	4.6	4.6	4.6	4.6	4.5	4.0	3.7	3.5	3.4
External	2.6	2.0	2.0	2.0	2.0	2.1	1.8	1.8	1.8	1.9
Domestic	2.5	2.7	2.7	2.6	2.6	2.4	2.2	1.9	1.7	1.6
Capital expenditure	93.1	96.7	75.0	115.1	119.5	111.1	115.0	124.1	136.6	150.0
Domestically financed	9.8	21.2	17.1	23.5	23.5	30.1	31.5	36.5	42.2	49.3
Externally financed	83.3	75.5	58.0	91.6	95.9	81.1	83.5	87.6	94.4	100.7
Overall balance										
Excluding grants	-110.4	-121.0	-109.7	-136.1	-181.1	-122.1	-126.7	-134.4	-144.2	-154.1
Of which: domestic primary balance [2]	-22.0	-40.9	-47.1	-39.9	-80.6	-36.6	-39.2	-43.0	-46.3	-50.0
Including grants	-12.3	24.2	19.0	-6.1	-28.9	5.4	-5.7	-19.2	-25.1	-30.6
Net change in arrears ((-) = reduction)	-29.7	-29.5	-28.5	-36.4	-36.4	0.0	0.0	0.0	0.0	0.0
Domestic	-29.7	-29.5	-28.5	-36.4	-36.4	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-46.2	-5.3	-9.5	-42.5	-65.3	5.4	-5.7	-19.2	-25.1	-30.6
Identified financing	46.1	5.3	9.5	42.5	62.9	-5.4	5.7	19.3	25.2	30.6
External, net	18.7	6.5	3.8	10.3	10.3	1.8	1.2	28.9	40.5	50.8
Project loans	24.4	12.2	9.5	15.7	15.7	7.5	7.5	7.5	10.0	11.8
Program loans[3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	35.0	45.0
Amortization	-5.7	-5.7	-5.7	-5.4	-5.4	-5.7	-6.3	-3.6	-4.5	-6.1
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic, net	27.4	-1.1	5.7	32.2	52.6	-7.3	4.4	-9.6	-15.3	-20.2
Banking system	31.4	-1.1	5.7	32.2	52.6	-7.3	4.4	-11.6	-17.3	-22.2
BEAC	35.4	1.8	8.6	35.2	55.6	-4.2	4.4	-16.7	-22.3	-27.2
Loans/counterpart SDR	0.0	0.0	0.0	0.0	0.0	-7.3	-7.5	-7.6	-7.8	-8.0
Counterpart to IMF resources (BEAC)	27.8	26.3	11.1	14.7	46.6	15.1	10.4	-14.3	-21.0	-24.6
Deposit withdrawals	7.6	-24.5	-2.5	20.5	9.0	-12.0	1.4	5.2	6.5	5.4
Commercial banks	-4.0	-2.9	-2.9	-3.0	-3.0	-3.1	0.0	5.0	5.0	5.0
Nonbank	-4.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.1	…	0.0	…	2.4	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Total government debt	633.5	640.7	638.5	623.7	650.3	654.4	657.3	670.4	688.3	712.6
Government domestic currency debt[4]	176.0	138.4	138.4	114.0	114.0	108.8	100.2	93.0	85.0	86.0
Nominal GDP	1,266	1,360	1,335	1,464	1,380	1,471	1,584	1,705	1,834	1,974

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 2023 to 2024

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

Table 2b. Central African Republic: Central Government Financial Operations, 2018–25

(Percent of GDP)

	2018	2019		2020		2021	2022	2023	2024	2025
	Est.	ECF request	Est.	ECF request	Proj.			Proj.		
Revenues	16.6	19.4	18.3	18.6	19.6	18.9	18.3	17.5	17.4	17.3
Domestic revenue	8.9	8.7	8.7	9.7	8.5	10.3	10.6	10.7	10.9	11.1
Tax revenue	8.1	7.6	7.8	7.9	7.1	8.5	8.5	8.6	8.8	9.0
Income and property tax	1.7	1.7	1.8	1.8	1.6	1.9	1.9	1.9	2.0	2.0
Taxes on goods and services	4.1	4.0	4.1	4.0	3.6	4.3	4.2	4.4	4.4	4.6
Of which: VAT	2.6	2.5	2.6	2.5	2.2	2.6	2.6	2.7	2.7	2.8
Taxes on international trade	2.3	1.9	2.0	2.1	1.9	2.3	2.4	2.4	2.3	2.4
Non-tax revenue	0.8	1.0	0.9	1.8	1.5	1.8	2.1	2.1	2.1	2.1
Grants	7.8	10.7	9.6	8.9	11.0	8.7	7.6	6.8	6.5	6.3
Program	3.0	6.0	6.0	3.7	5.2	3.7	2.8	2.1	1.9	1.8
Project	4.8	4.7	3.6	5.2	5.8	5.0	4.8	4.7	4.6	4.5
Expenditure [1]	17.6	17.6	16.9	19.0	21.7	18.6	18.6	18.6	18.7	18.9
Primary Spending	10.6	11.7	12.2	12.4	14.4	12.8	13.1	13.3	13.4	13.6
Current primary expenditure	9.8	10.1	10.9	10.8	12.7	10.7	11.1	11.1	11.1	11.1
Wages and salaries	4.8	4.7	4.9	4.8	5.2	4.8	4.8	4.8	4.8	4.8
Transfers and subsidies	2.2	2.8	2.9	3.3	3.8	3.2	3.4	3.4	3.4	3.4
Goods and services	2.8	2.6	3.2	2.7	3.7	2.8	2.9	2.9	2.9	2.9
Interest	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2
External	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Domestic	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Capital expenditure	7.4	7.1	5.6	7.9	8.7	7.6	7.3	7.3	7.4	7.6
Domestically financed	0.8	1.6	1.3	1.6	1.7	2.0	2.0	2.1	2.3	2.5
Externally financed	6.6	5.6	4.3	6.3	7.0	5.5	5.3	5.1	5.1	5.1
Overall balance										
Excluding grants	-8.7	-8.9	-8.2	-9.3	-13.1	-8.3	-8.0	-7.9	-7.9	-7.8
Of which: domestic primary balance [2]	-1.7	-3.0	-3.5	-2.7	-5.8	-2.5	-2.5	-2.5	-2.5	-2.5
Including grants	-1.0	1.8	1.4	-0.4	-2.1	0.4	-0.4	-1.1	-1.4	-1.6
Net change in arrears ((-) = reduction)	-2.3	-2.2	-2.1	-2.5	-2.6	0.0	0.0	0.0	0.0	0.0
Domestic	-2.3	-2.2	-2.1	-2.5	-2.6	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-3.6	-0.4	-0.7	-2.9	-4.7	0.4	-0.4	-1.1	-1.4	-1.6
Identified financing	3.6	0.4	0.7	2.9	4.6	-0.4	0.4	1.1	1.4	1.5
External, net	1.5	0.5	0.3	0.7	0.7	0.1	0.1	1.7	2.2	2.6
Project loans	1.9	0.9	0.7	1.1	1.1	0.5	0.5	0.4	0.5	0.6
Program loans [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.9	2.3
Amortization	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.2	-0.2	-0.3
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic, net	2.2	-0.1	0.4	2.2	3.8	-0.5	0.3	-0.6	-0.8	-1.0
Banking system	2.5	-0.1	0.4	2.2	3.8	-0.5	0.3	-0.7	-0.9	-1.1
BEAC	2.8	0.1	0.6	2.4	4.0	-0.3	0.3	-1.0	-1.2	-1.4
Loans/counterpart SDR	0.0	0.0	0.0	0.0	0.0	-0.5	-0.5	-0.4	-0.4	-0.4
Counterpart to IMF resources (BEAC)	2.2	1.9	0.8	1.0	3.4	1.0	0.7	-0.8	-1.1	-1.2
Deposit withdrawals	0.6	-1.8	-0.2	1.4	0.7	-0.8	0.1	0.3	0.4	0.3
Commercial banks	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	0.0	0.3	0.3	0.3
Nonbank	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Exceptional financing [4]	0.0	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	…	0.2	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Total government debt	50.0	47.1	47.8	42.6	47.1	44.5	41.5	39.3	37.5	36.1
Government domestic debt [5]	13.9	10.2	10.4	7.8	8.3	7.4	6.3	5.5	4.6	4.4

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 2023 to 2024

[4] Loan agreements with commercial banks.

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

Table 3. Central African Republic: Monetary Survey, 2018–25

	2018	2019		2020					2021	2022	2023	2024	2025
				Q1	Q2	Q3	Q4	Q4					
	Est.	ECF request	Proj.	Proj.	Proj.	Proj.	ECF request	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(CFAF billions, unless otherwise indicated)												
Net foreign assets	79.8	95.2	89.2	94.4	88.0	100.8	116.1	86.8	93.8	110.1	146.1	191.9	249.9
Bank of Central African States (BEAC)	52.1	65.4	37.0	41.8	35.0	47.3	84.0	32.8	36.3	48.2	79.5	120.2	172.7
Commercial banks	27.7	29.8	52.2	52.6	53.1	53.5	32.1	54.0	57.5	61.9	66.6	71.7	77.1
Net domestic assets	263.1	258.9	260.3	278.5	271.0	294.8	298.7	305.9	301.9	310.1	302.7	290.2	273.0
Domestic credit	371.0	374.8	374.1	393.2	386.7	411.5	415.4	423.5	427.2	445.1	448.0	446.5	441.2
Credit to the public sector	207.4	206.3	213.1	235.2	231.3	259.0	238.5	265.8	258.5	262.9	251.3	234.0	211.8
Credit to central government (net)	207.4	206.3	213.1	235.2	231.3	259.0	238.5	265.8	258.5	262.9	251.3	234.0	211.8
BEAC	200.5	202.2	209.1	231.9	228.7	257.2	237.4	264.7	260.5	264.9	248.2	225.9	198.7
Loans/counterpart SDR	115.9	115.9	115.9	116.5	116.5	116.5	115.9	115.9	108.6	101.1	93.4	85.6	77.7
IMF (net)	117.3	143.6	128.4	136.9	154.3	152.6	158.3	175.0	190.1	200.6	186.3	165.3	140.7
Deposits	-32.8	-57.3	-37.6	-21.5	-42.1	-11.9	-36.8	-26.3	-38.2	-36.8	-31.5	-25.1	-19.7
Commercial banks	6.9	4.0	4.0	3.3	2.6	1.8	1.1	1.1	-2.0	-2.0	3.1	8.1	13.1
Credit to other public agencies (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	163.6	168.5	160.9	158.0	155.5	152.5	176.9	157.7	168.7	182.1	196.7	212.4	229.4
Public enterprises	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Private sector	160.0	164.9	157.4	154.4	151.9	148.9	173.4	154.2	165.2	178.6	193.1	208.9	225.8
Other items (net)	-107.9	-115.9	-113.8	-114.7	-115.7	-116.7	-124.7	-117.6	-125.4	-135.0	-145.3	-156.3	-168.2
Money and quasi-money	343.0	354.1	349.5	372.9	359.1	395.6	406.8	392.6	395.7	420.2	448.8	482.1	522.9
Currency	183.7	195.3	180.5	194.0	178.4	198.2	224.9	207.7	208.5	214.7	227.0	239.8	266.0
Deposits	159.3	158.8	169.0	178.9	180.6	197.4	181.9	185.0	187.1	205.5	221.8	242.3	256.9
Demand deposits	97.8	94.1	105.5	115.1	116.5	133.0	113.2	120.2	118.1	131.2	141.9	156.3	174.2
Term and savings deposits	61.5	64.7	63.6	63.9	64.2	64.4	68.7	64.7	69.0	74.3	79.9	86.0	82.7
	(Annual percentage change)												
Net foreign assets	-23.0	19.2	11.8	38.5	-13.6	21.6	22.0	-2.8	8.1	17.4	32.7	31.4	30.2
Net domestic assets	33.5	-1.6	-1.1	-2.8	13.8	12.6	12.3	17.5	-1.3	2.7	-2.4	-4.1	-5.9
Monetary base	12.1	7.4	5.5	16.1	7.1	-1.0	2.6	-1.6	6.6	7.7	7.6	7.6	7.6
Credit to the economy	11.5	3.0	-1.6	-3.9	-4.9	-2.8	5.0	-2.0	7.0	8.0	8.0	8.0	8.0
Public enterprises	204.5	0.0	0.0	0.5	-16.4	-18.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	9.9	3.1	-1.7	-4.0	-4.6	-2.3	5.1	-2.0	7.1	8.1	8.1	8.2	8.1
Memorandum items:													
NDA of the central bank (CFAF billions)	174.8	178.4	202.3	196.6	202.4	189.2	166.2	202.7	214.7	222.0	211.3	192.6	164.0
Monetary base (CFAF billions)	226.9	243.7	239.4	238.4	237.4	236.4	250.2	235.5	251.0	270.2	290.8	312.9	336.7
Nominal GDP (CFAF billions)	1265.8	1360	1335	…	…	…	1464.0	1380	1471	1584	1705	1834	1974
Velocity (GDP/broad money)													
End of period	3.7	3.8	3.8	…	…	…	3.6	3.5	3.7	3.8	3.8	3.8	3.8

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

Table 4a. Central African Republic: Balance of Payments, 2018–25

(Billions of CFAF)

	2018	2019		2020		2021	2022	2023	2024	2025
	Est.	ECF request	Est.	ECF request	Proj.			Proj.		
Current account	-100.8	-76.5	-65.7	-92.5	-78.2	-76.9	-82.8	-97.7	-106.6	-112.1
Balance on goods	-188.5	-207.1	-206.0	-206.8	-206.4	-199.9	-193.6	-192.9	-199.2	-208.8
Exports, f.o.b.	91.1	93.6	94.1	108.1	82.6	95.3	114.4	130.2	144.6	157.5
of which: Diamonds	5.0	4.4	2.8	6.2	4.4	5.9	8.0	10.1	12.3	15.2
of which: Wood products	56.8	55.9	58.0	65.2	41.1	50.3	63.6	74.0	82.6	88.7
Imports, f.o.b.	-279.6	-300.6	-300.1	-314.9	-288.9	-295.1	-308.0	-323.1	-343.8	-366.3
of which: Petroleum products	-87.5	-91.6	-91.3	-90.4	-61.3	-63.2	-70.9	-78.1	-84.4	-89.9
Services (net)	-36.6	-38.7	-38.7	-36.8	-32.6	-34.4	-44.0	-54.3	-61.4	-67.2
Credit	110.7	116.1	116.1	121.9	115.7	121.2	122.9	125.0	131.3	140.4
Debit	-147.3	-154.8	-154.8	-158.7	-148.2	-155.6	-166.8	-179.4	-192.7	-207.6
Income (net)	-1.6	-1.9	-1.9	-2.2	-1.9	-1.8	-1.5	-1.4	-1.3	-0.7
Credit	12.6	13.1	12.9	13.8	13.1	13.6	14.3	15.0	15.7	16.8
Debit	-14.1	-15.1	-14.9	-15.9	-15.0	-15.4	-15.8	-16.4	-17.1	-17.5
Transfers (net)	125.9	171.2	180.9	153.3	162.6	159.2	156.2	150.9	155.4	164.7
Private	70.6	71.7	83.1	76.2	67.7	78.4	80.5	82.7	84.9	91.1
Official	55.3	99.5	97.8	77.1	94.9	80.8	75.7	68.2	70.6	73.5
of which: Program	37.5	81.9	80.2	54.1	71.9	53.9	45.0	35.0	34.7	34.7
Capital account	60.6	63.3	48.5	75.9	80.3	73.6	76.0	80.1	84.4	88.8
Project grants	60.6	63.3	48.5	75.9	80.3	73.6	76.0	80.1	84.4	88.8
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	37.6	26.5	23.8	35.3	-8.7	6.8	18.7	48.9	63.0	75.8
Direct investment	10.0	15.0	15.0	20.0	6.0	15.0	22.5	25.0	27.5	30.0
Portfolio investment	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	27.4	11.5	8.8	15.3	-14.7	-8.2	-3.8	23.9	35.5	45.8
Public sector (net)	18.7	6.5	3.8	10.3	10.3	1.8	1.2	28.9	40.5	50.8
Project disbursement	24.4	12.2	9.5	15.7	15.7	7.5	7.5	7.5	10.0	11.8
Program disbursement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	35.0	45.0
Scheduled amortization	-5.7	-5.7	-5.7	-5.4	-5.4	-5.7	-6.3	-3.6	-4.5	-6.1
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	8.7	5.0	5.0	5.0	-25.0	-10.0	-5.0	-5.0	-5.0	-5.0
Errors and omissions	-19.4	0.0	-15.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-22.0	13.3	-9.3	18.7	-6.6	3.5	11.9	31.3	40.8	52.5
Identified financing	22.0	-13.3	15.0	-18.6	4.2	-3.5	-11.9	-31.3	-40.8	-52.5
Net IMF credit	27.8	26.3	11.1	14.7	46.6	15.1	10.4	-14.3	-21.0	-24.6
IMF purchase	-35.9	-27.9	-18.5	-19.1	-51.6	-19.3	-19.3	0.0	0.0	0.0
IMF repurchase	8.1	1.6	7.4	4.4	4.9	4.2	8.9	14.3	21.0	24.6
Other reserves (increase = -)	-5.8	-39.6	3.9	-33.4	-42.4	-18.6	-22.4	-17.0	-19.7	-27.9
Exceptional financing	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt payment arrears (reduction=-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.1	0.0	0.0	0.0	2.4	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Terms of trade (percent change)	-12.4	12.7	13.9	3.5	-0.1	5.9	3.8	2.1	-0.3	-1.1
Unit price of exports	-3.5	9.8	10.7	0.6	-2.6	3.5	4.2	2.8	0.8	-0.1
Unit price of imports	10.2	-2.6	-2.8	-2.9	-2.5	-2.3	0.4	0.6	1.0	1.0
Current account (percent of GDP)	-8.0	-5.6	-4.9	-6.3	-5.7	-5.2	-5.2	-5.7	-5.8	-5.7
Capital account (percent of GDP)	4.8	4.7	3.6	5.2	5.8	5.0	4.8	4.7	4.6	4.5
Nominal GDP (CFAF billions)	1,266	1,360	1,335	1,464	1,380	1,471	1,584	1,705	1,834	1,974

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

Table 4b. Central African Republic: Balance of Payments, 2018–25
(Percent of GDP)

	2018	2019		2020		2021	2022	2023	2024	2025
	Est.	ECF request	Est.	ECF request	Proj.			Proj.		
Current account	-8.0	-5.6	-4.9	-6.3	-5.7	-5.2	-5.2	-5.7	-5.8	-5.7
Balance on goods	-14.9	-15.2	-15.4	-14.1	-14.9	-13.6	-12.2	-11.3	-10.9	-10.6
Exports, f.o.b.	7.2	6.9	7.0	7.4	6.0	6.5	7.2	7.6	7.9	8.0
of which: Diamonds	0.4	0.3	0.2	0.4	0.3	0.4	0.5	0.6	0.7	0.8
of which: Wood products	4.5	4.1	4.3	4.5	3.0	3.4	4.0	4.3	4.5	4.5
Imports, f.o.b.	-22.1	-22.1	-22.5	-21.5	-20.9	-20.1	-19.4	-19.0	-18.7	-18.6
of which: Petroleum products	-6.9	-6.7	-6.8	-6.2	-4.4	-4.3	-4.5	-4.6	-4.6	-4.6
Services (net)	-2.9	-2.8	-2.9	-2.5	-2.4	-2.3	-2.8	-3.2	-3.3	-3.4
Credit	8.7	8.5	8.7	8.3	8.4	8.2	7.8	7.3	7.2	7.1
Debit	-11.6	-11.4	-11.6	-10.8	-10.7	-10.6	-10.5	-10.5	-10.5	-10.5
Income (net)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0
Credit	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.8
Debit	-1.1	-1.1	-1.1	-1.1	-1.1	-1.0	-1.0	-1.0	-0.9	-0.9
Transfers (net)	9.9	12.6	13.6	10.5	11.8	10.8	9.9	8.9	8.5	8.3
Private	5.6	5.3	6.2	5.2	4.9	5.3	5.1	4.9	4.6	4.6
Official	4.4	7.3	7.3	5.3	6.9	5.5	4.8	4.0	3.8	3.7
of which: Program	3.0	6.0	6.0	3.7	5.2	3.7	2.8	2.1	1.9	1.8
Capital account	4.8	4.7	3.6	5.2	5.8	5.0	4.8	4.7	4.6	4.5
Project grants	4.8	4.7	3.6	5.2	5.8	5.0	4.8	4.7	4.6	4.5
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	3.0	1.9	1.8	2.4	-0.6	0.5	1.2	2.9	3.4	3.8
Direct investment	0.8	1.1	1.1	1.4	0.4	1.0	1.4	1.5	1.5	1.5
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.2	0.8	0.7	1.0	-1.1	-0.6	-0.2	1.4	1.9	2.3
Public sector (net)	1.5	0.5	0.3	0.7	0.7	0.1	0.1	1.7	2.2	2.6
Project disbursement	1.9	0.9	0.7	1.1	1.1	0.5	0.5	0.4	0.5	0.6
Program disbursement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.9	2.3
Scheduled amortization	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.2	-0.2	-0.3
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	0.7	0.4	0.4	0.3	-1.8	-0.7	-0.3	-0.3	-0.3	-0.3
Errors and omissions	-1.5	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-1.7	1.0	-0.7	1.3	-0.5	0.2	0.8	1.8	2.2	2.7
Identified financing	1.7	-1.0	1.1	-1.3	0.3	-0.2	-0.8	-1.8	-2.2	-2.7
Net IMF credit	2.2	1.9	0.8	1.0	3.4	1.0	0.7	-0.8	-1.1	-1.2
IMF purchase	-2.8	-2.0	-1.4	-1.3	-3.7	-1.3	-1.2	0.0	0.0	0.0
IMF repurchase	0.6	0.1	0.6	0.3	0.4	0.3	0.6	0.8	1.1	1.2
Other reserves (increase = -)	-0.5	-2.9	0.3	-2.3	-3.1	-1.3	-1.4	-1.0	-1.1	-1.4
Exceptional financing	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt payment arrears (reduction=-)	0.0	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	0.2	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Terms of trade (percent change)	-12.4	12.7	13.9	3.5	-0.1	5.9	3.8	2.1	-0.3	-1.1
Nominal GDP (CFAF billions)	1,266	1,360	1,335	1,464	1,380	1,471	1,584	1,705	1,834	1,974

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

Table 5. Central African Republic: External Financing Requirements, 2020–25
(Billions of CFAF)

	2020	2021	2022	2023	2024	2025
			Projection			
1. Total financing requirements	202.8	159.3	165.3	167.6	186.5	205.4
Current account deficit (excl. budget support)	150.1	130.8	127.8	132.7	141.2	146.8
Debt amortization	5.4	5.7	6.3	3.6	4.5	6.1
Repayment to the Fund	4.9	4.2	8.9	14.3	21.0	24.6
Change in other reserves	42.4	18.6	22.4	17.0	19.7	27.9
2. Total available financing	76.9	86.1	101.0	107.6	116.9	125.7
Capital transfers	80.3	73.6	76.0	80.1	84.4	88.8
Foreign direct investment (net)	6.0	15.0	22.5	25.0	27.5	30.0
Portfolio investment (net)	0.0	0.0	0.0	0.0	0.0	0.0
Debt financing	15.7	7.5	7.5	7.5	10.0	11.8
Public Sector	15.7	7.5	7.5	7.5	10.0	11.8
Other net capital inflows	-25.0	-10.0	-5.0	-5.0	-5.0	-5.0
3. Financing gap	**125.9**	**73.2**	**64.3**	**60.0**	**69.7**	**79.7**
4. Expected sources of financing	71.9	53.9	45.0	60.0	69.7	79.7
of which: Budget support (grants)	71.9	53.9	45.0	35.0	34.7	34.7
World Bank	44.1	28.1	...	...	...	...
African Development Bank	2.8	2.8	...	...	...	...
European Union	18.4	16.4	...	...	...	...
France	6.6	6.6	...	...	...	...
Other	0.0	0.0	...	...	...	...
of which: Budget support (loans)[1]	0.0	0.0	0.0	25.0	35.0	45.0
5. Residual financing gap	54.0	19.3	19.3	0.0	0.0	0.0
ECF program[2]	29.0	19.3	19.3	0.0	0.0	0.0
RCF	22.6	0.0	0.0	0.0	0.0	0.0
Unidentified financing	2.4	0.0	0.0	0.0	0.0	0.0

Source: IMF staff projections.

[1] Budget support loans to be identified.

[2] Includes ECF request disbursement, approved by the Executive Board in December 2019, which happened in early January 2020.

Table 6. Central African Republic: Indicators of Capacity to Repay the IMF, 2020–30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
IMF obligations based on existing credit											
(SDR millions)											
Principal	6.07	5.16	10.86	17.49	25.79	30.16	29.12	25.31	14.90	6.96	1.19
Charges and interest	0.06	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
IMF obligations based on existing and prospective credit											
(SDR millions)											
Principal	6.07	5.16	10.86	17.49	25.79	32.94	40.66	41.62	34.79	26.85	18.30
Charges and interest	0.06	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
IMF obligations based on existing and prospective credit											
(CFA billions)											
Principal	4.95	4.21	8.85	14.25	21.02	26.85	33.14	33.92	28.35	21.88	14.91
Charges and interest	0.05	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Outstanding IMF Credit											
SDR Millions	218.6	237.4	250.4	232.9	207.1	174.2	133.5	91.9	57.1	30.2	11.9
CFAF Billions	177.1	191.7	202.1	188.0	167.4	141.0	108.1	74.4	46.2	24.5	9.7
Percent of government revenue	150.4	126.9	120.1	102.8	83.8	64.5	46.1	29.7	17.3	8.6	3.2
Percent of exports of goods and services	89.3	88.6	85.2	73.7	60.7	47.3	33.9	21.9	12.8	6.4	2.4
Percent of debt services	1186.0	1338.1	1058.1	870.4	575.9	413.4	324.3	245.6	212.1	159.4	92.2
Percent of GDP	12.8	13.0	12.8	11.0	9.1	7.1	5.1	3.3	1.9	1.0	0.4
Percent of quota	196.3	213.1	224.7	209.1	185.9	156.3	119.8	82.5	51.2	27.1	10.7
Net use of IMF credit (SDR millions)											
Disbursements	63.7	23.9	23.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	6.1	5.2	10.9	17.5	25.8	33.0	40.7	41.7	34.8	26.9	18.3
Memorandum items:											
Nominal GDP (billions of CFA francs)	1380.3	1471.2	1584.0	1704.7	1834.1	1973.9	2115.6	2256.3	2405.9	2565.7	2736.3
Exports of goods and services (billions of CFA francs)	198.2	216.4	237.3	255.3	275.9	297.9	318.7	339.7	360.8	382.8	408.0
Government revenue (billions of CFA francs)	117.7	151.0	168.3	182.9	199.7	218.6	234.4	250.2	266.9	284.7	303.8
Debt service (billions of CFA francs)	14.9	14.3	19.1	21.6	29.1	34.1	33.3	30.3	21.8	15.4	10.5
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 7. Central African Republic: Financial Soundness Indicators, 2012–19

Concept	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Jun-18	Dec-18	Jun-19	Dec-19
Capital Adequacy										
Total bank regulatory capital to risk-weighted assets	22.7	39.1	42.2	38.7	32.0	34.3	32.0	28.5	31.4	30.3
Total capital (net worth) to assets	22.2	23.7	21.9	21.1	19.2	21.0	20.6	21.3	21.0	20.0
Asset Quality										
Non-performing loans to total loans	9.6	28.5	27.7	30.9	25.6	22.9	22.0	15.6	19.1	12.6
Non-performing loans net of provision to capital	1.6	50.0	44.4	34.9	18.7	4.3	5.2	0.6	7.4	6.0
Earnings and Profitability										
Net income to average assets (ROA)	4.5	-1.3	0.9	-0.9	0.8	0.9	2.6	4.0	2.7	N/A
Net income to average capital (ROE)	20.7	-5.4	3.8	-4.0	4.2	4.8	12.7	18.8	13.0	N/A
Non interest expense to gross income	64.0	79.5	73.6	72.8	67.3	88.6	79.2	76.7	71.5	N/A
Liquidity										
Liquid assets to total assets	16.6	19.2	27.5	40.0	31.9	30.7	27.1	29.9	27.6	26.3
Liquid assets to short-term liabilities	114.5	149.1	203.1	276.1	219.6	227.4	186.6	198.6	182.7	165.8

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

Appendix I. Letter of Intent

Ms. Kristalina Georgieva — Bangui, April 9, 2020
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
United States of America

Madam Managing Director:

1. On March 14, the Central African Republic (C.A.R.) reported its first case of the Corona virus (COVID-19) disease. Since then, nine more cases have been reported. The government has responded swiftly to this outbreak. Borders have been closed, commercial flights banned, and movements from Bangui restricted. Public and private educational establishments are now closed, as are assemblies of more than 15 people. Visits to hospitals have been restricted and facilities for handwashing provided in public buildings. Despite these provisions, water supply problems remain. Mandatory quarantine is in place for travelers entering from countries affected by the pandemic. Citizens living abroad are urged not to travel to C.A.R.

2. The pandemic comes at a critical juncture, barely a year after the signing of the February 2019 Political Agreement for Peace and Reconciliation. Notwithstanding some sporadic outbreaks of violence, the security situation has improved of late, as illustrated by a gradual reduction in the number of violations of the peace agreement and some progress in deploying government forces in the provinces and establishing mixed security brigades. If not contained, the pandemic could bring this improvement to an end, or even reverse it. It could also further complicate the preparation of the presidential and legislative elections currently scheduled for the end of this year.

3. The negative economic and social impact of the pandemic is expected to be considerable, affecting all sectors of the economy, and is already starting to be felt. Imports from China, our largest trade partner, have slowed, along with exports of timber, which are currently at a standstill. Trade is expected to be particularly affected by border closures. Overall, our preliminary projections suggest that—owing to lower local and external demand, disruptions to trade, and containment measures—real GDP growth could decline from 3 percent in 2019 to no more than 1 percent in 2020, well below the 5-percent projections of 5 percent in 2020 made at the time of the approval of the Fund-supported ECF arrangement.

4. The pandemic is also exerting much pressure on our fiscal accounts. Some companies have already cut production owing to difficulties in obtaining raw materials and have indicated that they would not be able to pay their taxes as scheduled. We therefore expect revenue to be substantially lower than previously anticipated. At the same time, containing the spread of the virus will require the implementation of the comprehensive response plan that we have prepared in collaboration with the World Health Organization (WHO). This plan, whose cost is estimated at at least FCFA 27 billion, notably aims at: (i) providing medical care of confirmed cases; (ii) improving monitoring system for the country's main points of entry; and (iii) strengthening

the capacity of medical staff and facilities. To limit the impact of the revenue shortfall and additional healthcare costs on the deficit, we will identify and seek to implement up to CFAF 6 billion in savings on non-priority expenditures (including missions and cultural activities). We consider, however, that the remaining impact must be accommodated to allow us to meet our considerable social, infrastructure, and security needs, which is key to our inclusive growth and poverty reduction objectives. We also intend to identify other potential savings on non-priority spending and solicit additional grant financing from our development partners to finance additional measures—such as targeted support to the most impacted regions and households—to mitigate the social and economic impact of the crisis.

5. In addition, the pandemic is generating large additional urgent external financing needs, as lower commodity exports, remittances, and financial flows and higher imports of healthcare products will be only partly offset by lower other imports. To help us meet these urgent needs, we are requesting a disbursement of SDR 27.85 million, equivalent to 25 percent of quota, under the exogenous shock window of the Rapid Credit Facility (RCF). This financial support from the IMF, combined with the support from the World Bank, the European Union and other development partners, will help fill most of the projected external and fiscal financing gaps in 2020. To fill the remaining gap and to build further buffers in case the pandemic's impact proves worse than currently anticipated, we will try to mobilize additional grant financing from our development partners. We have requested Fund assistance from the Catastrophe Containment and Relief Trust.

6. We remain firmly committed to meeting the objectives set under the Extended Credit Facility (ECF) arrangement with the IMF. The maintenance of macroeconomic stability and debt sustainability and the restoration of sustained inclusive growth are key to the government's efforts to durably restore peace and prosperity in the country. We will therefore pursue our efforts to enhance domestic revenue mobilization, strengthen public financial management, and enhance governance and the business environment. We do not intend to introduce measures or policies that would exacerbate balance of payments difficulties, such as intensifying exchange and trade restrictions and other measures or policies that would compound these difficulties. We further agree to cooperate with the IMF in relation to any updated safeguards assessment of the BEAC to be carried out by the IMF. Finally, we will ensure that the additional external financing we are receiving is used effectively to address crisis-related needs and will undertake an independent audit of the crisis-mitigation spending after the crisis abates, whose results we will publish.

7. We intend to publish the IMF staff report, including this letter of intent. We, therefore, authorize Fund staff to publish these documents on the IMF website once the Executive Board has approved the RCF disbursement.

Very truly yours,

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

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

April 13, 2020

Approved By
Annalisa Fedelino (AFR); Seán Nolan (SPR); and Marcello Estevão (IDA)

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

Central African Republic[1] Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	High[2]
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgement	No
Macroeconomic projections	This DSA update factors in the expected economic impact of the pandemic, with a significant decline in growth and trade flows and a sizeable widening of the fiscal and current account deficits in 2020. Growth is assumed to partially rebound in 2021 as the situation is assumed to start normalizing in the second half of 2020.
Financing strategy	Due to C.A.R.'s weak liquidity indicators, the country's strategy remains to seek additional grant financing from multilateral and bilateral donors to cover the residual financing gaps arising from the economic impact and mitigation efforts of the COVID-19 pandemic.
Realism tools flagged	n.a.
Mechanical risk rating under the external DSA	High
Mechanical risk rating under the public DSA.	High

[1] Debt coverage has not changed since the last DSA.
[2] With a score of 2.44, C.A.R.'s composite indicator, which is based on the October 2019 WEO and the 2018 CPIA, signals a weak debt-carrying capacity.

[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.

This debt sustainability analysis (DSA) updates the joint World Bank-IMF analysis of December 2019 to reflect the most recent outlook, which has been substantially altered by the COVID-19 pandemic. The Central African Republic (C.A.R.) remains at high risk of external debt distress and overall high risk of debt distress, unchanged from the most recent DSA of December 2019.[2] These risks have increased owing to the high uncertainty surrounding the economic impact of the COVID-19 pandemic. While solvency indicators remain below their relevant thresholds, the disbursement under the RCF is projected to accentuate the breaches of the liquidity indicators over the medium term. Sensitivity of debt indicators to standard stress tests, the high uncertainty surrounding macroeconomic projections, a volatile security environment, and sizeable contingent liabilities are all considerations supporting the high-risk assessment. Debt is projected to remain sustainable over the medium term provided that the authorities move ahead with the policies and structural reforms committed under the ECF arrangement once the effects of the COVID crisis wear off. Given the difficult debt situation, staffs recommend that the government's investment program requires grant financing, with concessional debt financing to be considered in exceptional cases.

The current macroeconomic framework reflects currently available information. Updates of the economic impact and policy response to the COVID-19 crisis are rapidly evolving and risks are heavily tilted to the downside.

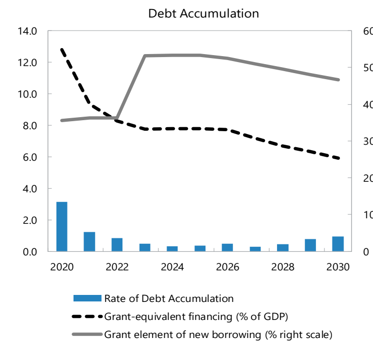
[2] Country Report No. 20/1, January 2020.

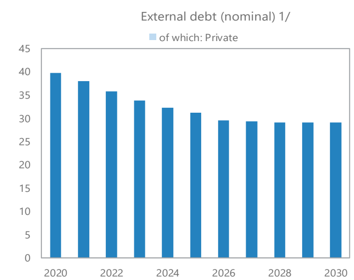
Table 1. Central African Republic: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	**35.4**	**37.2**	**37.2**	**39.7**	**38.0**	**35.7**	**33.8**	**32.3**	**31.1**	**29.1**	**27.4**	**28.7**	**32.4**
of which: public and publicly guaranteed (PPG)	**35.4**	**37.2**	**37.2**	**39.7**	**38.0**	**35.7**	**33.8**	**32.3**	**31.1**	**29.1**	**27.4**	**28.7**	**32.4**
Change in external debt	0.4	1.8	0.0	2.5	-1.7	-2.2	-1.9	-1.5	-1.1	0.1	-0.1		
Identified net debt-creating flows	**...**	**3.9**	**3.8**	**4.9**	**2.7**	**2.1**	**2.6**	**2.7**	**2.7**	**0.2**	**-0.2**	**3.9**	**1.7**
Non-interest current account deficit	**7.7**	**7.8**	**4.8**	**5.5**	**5.1**	**5.1**	**5.6**	**5.6**	**5.5**	**2.8**	**2.7**	**7.1**	**4.2**
Deficit in balance of goods and services	16.4	17.8	18.3	17.3	15.9	15.0	14.5	14.2	14.0	8.8	8.5	**15.0**	**12.3**
Exports	15.9	15.9	15.7	14.4	14.7	15.0	15.0	15.0	15.1	15.2	15.5		
Imports	32.4	33.7	34.1	31.7	30.6	30.0	29.5	29.3	29.1	24.0	24.0		
Net current transfers (negative = inflow)	-8.8	-9.9	-13.6	-11.8	-10.8	-9.9	-8.9	-8.5	-8.3	-7.3	-5.8	**-7.8**	**-8.7**
of which: official	-3.2	-4.4	-7.3	-6.9	-5.5	-4.8	-4.0	-3.8	-3.7	-3.9	-2.9		
Other current account flows (negative = net inflow)	0.0	-0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.2	1.3	0.0	**-0.1**	**0.6**
Net FDI (negative = inflow)	**-0.8**	**-0.8**	**-1.1**	**-0.4**	**-1.0**	**-1.4**	**-1.5**	**-1.5**	**-1.5**	**-1.8**	**-2.3**	**-1.3**	**-1.5**
Endogenous debt dynamics 2/	**...**	**-3.1**	**0.2**	**-0.2**	**-1.3**	**-1.6**	**-1.5**	**-1.4**	**-1.3**	**-0.7**	**-0.6**		
Contribution from nominal interest rate	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3		
Contribution from real GDP growth	-1.4	-1.2	-1.1	-0.4	-1.5	-1.8	-1.7	-1.6	-1.5	-0.9	-0.9		
Contribution from price and exchange rate changes	...	-2.0	1.1	...	...	...	...	...	...	...	...		
Residual 3/	**...**	**-2.2**	**-3.8**	**-2.4**	**-4.4**	**-4.3**	**-4.5**	**-4.3**	**-3.8**	**-0.2**	**0.1**	**-3.0**	**-2.4**
of which: exceptional financing	...	0.0	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	**...**	**...**	**18.6**	**21.1**	**20.8**	**20.0**	**19.0**	**17.9**	**16.9**	**14.5**	**17.0**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**118.3**	**147.2**	**141.2**	**133.4**	**126.7**	**119.0**	**112.2**	**95.4**	**109.7**		
PPG debt service-to-exports ratio	**1.8**	**3.8**	**3.6**	**7.2**	**6.9**	**8.4**	**9.1**	**11.5**	**12.3**	**8.0**	**6.3**		
PPG debt service-to-revenue ratio	**3.7**	**6.8**	**6.6**	**12.1**	**9.8**	**11.9**	**12.7**	**15.8**	**16.7**	**10.1**	**7.0**		
Gross external financing need (Million of U.S. dollars)	148.9	173.3	96.3	143.2	127.7	134.4	161.2	186.1	199.6	104.8	116.5		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.5	3.8	3.0	1.0	4.0	5.0	5.0	5.0	5.0	3.4	3.4	**-0.2**	**4.1**
GDP deflator in US dollar terms (change in percent)	8.6	6.0	-2.9	1.8	3.5	3.0	2.8	2.7	2.7	2.5	2.5	**2.5**	**2.9**
Effective interest rate (percent) 4/	0.4	0.5	0.4	0.4	0.4	0.4	0.5	0.6	0.6	0.8	1.2	**1.1**	**0.6**
Growth of exports of G&S (US dollar terms, in percent)	0.3	10.2	-1.3	-6.1	10.3	10.2	7.9	8.3	8.2	6.2	6.2	**6.1**	**6.9**
Growth of imports of G&S (US dollar terms, in percent)	6.8	14.6	1.0	-4.3	4.2	5.8	6.1	7.0	7.2	6.0	6.0	**7.8**	**3.9**
Grant element of new public sector borrowing (in percent)	...	...	...	35.6	36.3	36.3	53.1	53.3	53.2	46.6	31.9	**...**	**46.8**
Government revenues (excluding grants, in percent of GDP)	7.8	8.9	8.7	8.5	10.3	10.6	10.7	10.9	11.1	12.1	14.0	**8.0**	**11.0**
Aid flows (in Million of US dollars) 5/	14434.2	24576.8	9719.7	283.5	230.0	220.0	210.3	217.5	230.9	226.3	164.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	12.8	9.3	8.3	7.8	7.8	7.8	5.9	2.6	**...**	**8.0**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	80.1	88.9	88.4	89.7	87.2	85.3	80.4	64.2	**...**	**84.1**
Nominal GDP (Million of US dollars)	2,072	2,280	2,279	2,345	2,525	2,732	2,948	3,178	3,427	4,858	8,687		
Nominal dollar GDP growth	13.5	10.1	0.0	2.9	7.7	8.2	7.9	7.8	7.8	6.0	6.0	**2.1**	**7.1**
Memorandum items:													
PV of external debt 7/	...	...	18.6	21.1	20.8	20.0	19.0	17.9	16.9	14.5	17.0		
In percent of exports	...	...	118.3	147.2	141.2	133.4	126.7	119.0	112.2	95.4	109.9		
Total external debt service-to-exports ratio	1.8	3.8	3.6	7.2	6.9	8.4	9.1	11.5	12.3	8.0	6.3		
PV of PPG external debt (in Million of US dollars)			424.5	495.9	524.7	545.9	559.4	569.0	580.1	704.7	1477.5		
(PVt-PVt-1)/GDPt-1 (in percent)				3.1	1.2	0.8	0.5	0.3	0.3	1.0	1.3		
Non-interest current account deficit that stabilizes debt ratio	7.3	6.0	4.8	3.0	6.8	7.3	7.5	7.2	6.6	2.7	2.8		

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.

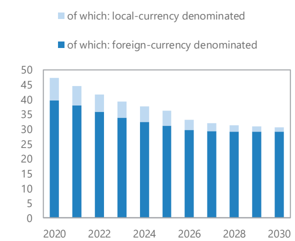
Table 2. Central African Republic: Public Sector Debt Sustainability Framework, Baseline Scenario 2017–40

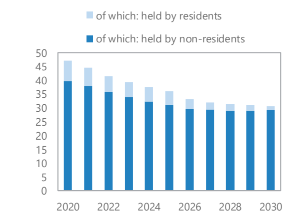
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	**50.3**	**50.0**	**47.8**	**47.1**	**44.5**	**41.5**	**39.3**	**37.5**	**36.1**	**30.6**	**28.7**	**44.7**	**36.7**
of which: external debt	**35.4**	**37.2**	**37.2**	**39.7**	**38.0**	**35.7**	**33.8**	**32.3**	**31.1**	**29.1**	**27.4**	**28.7**	**32.4**
Change in public sector debt	-3.6	-0.2	-2.2	-0.7	-2.6	-3.0	-2.3	-1.7	-1.5	-0.3	-0.1		
Identified debt-creating flows	**-7.9**	**0.0**	**-2.8**	**-0.8**	**-2.7**	**-3.0**	**-2.1**	**-1.7**	**-1.2**	**-0.3**	**0.0**	**0.8**	**-1.5**
Primary deficit	**0.7**	**0.6**	**-1.8**	**1.8**	**-0.7**	**0.1**	**0.9**	**1.2**	**1.4**	**1.1**	**1.2**	**0.8**	**0.8**
Revenue and grants	12.8	16.6	18.3	19.6	18.9	18.3	17.5	17.4	17.3	16.7	15.9	**13.9**	**17.6**
of which: grants	5.0	7.8	9.6	11.0	8.7	7.6	6.8	6.5	6.3	4.7	1.9		
Primary (noninterest) expenditure	13.5	17.2	16.6	21.3	18.3	18.4	18.4	18.6	18.7	17.8	17.1	**14.6**	**18.4**
Automatic debt dynamics	**-8.6**	**-0.8**	**-1.4**	**-1.5**	**-2.8**	**-3.0**	**-2.7**	**-2.5**	**-2.3**	**-1.4**	**-1.2**		
Contribution from interest rate/growth differential	-5.2	-2.2	-2.3	-1.2	-2.6	-2.9	-2.6	-2.4	-2.3	-1.5	-1.2		
of which: contribution from average real interest rate	-2.8	-0.3	-0.8	-0.7	-0.8	-0.7	-0.6	-0.5	-0.5	-0.4	-0.3		
of which: contribution from real GDP growth	-2.3	-1.9	-1.4	-0.5	-1.8	-2.1	-2.0	-1.9	-1.8	-1.0	-0.9		
Contribution from real exchange rate depreciation	-3.5	1.3	0.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.2**	**0.4**	**-1.0**	**0.8**	**-0.1**	**-0.3**	**-0.4**	**-0.3**	**0.0**	**0.0**	**0.1**	**-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	0.4	-0.8	0.8	-0.1	-0.3	-0.4	-0.3	0.0	0.0		
Residual	**4.3**	**-0.2**	**0.6**	**-0.4**	**-0.2**	**-0.2**	**-0.2**	**-0.1**	**-0.3**	**0.0**	**0.0**	**2.0**	**-0.2**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**29.4**	**28.5**	**27.3**	**25.7**	**24.4**	**23.2**	**21.8**	**15.9**	**18.3**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**160.4**	**145.6**	**144.1**	**141.0**	**139.6**	**133.2**	**126.0**	**95.4**	**115.1**		
Debt service-to-revenue and grants ratio 3/	**9.2**	**18.6**	**17.1**	**20.9**	**10.1**	**12.2**	**14.5**	**19.5**	**23.1**	**13.6**	**9.3**		
Gross financing need 4/	1.7	3.4	1.4	5.7	1.2	2.3	3.4	4.5	5.3	3.4	2.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.5	3.8	3.0	1.0	4.0	5.0	5.0	5.0	5.0	3.4	3.4	**-0.2**	**4.1**
Average nominal interest rate on external debt (in percent)	0.5	0.5	0.4	0.4	0.4	0.4	0.5	0.6	0.6	0.8	1.2	**1.1**	**0.6**
Average real interest rate on domestic debt (in percent)	-5.3	-0.4	-0.7	-0.4	-0.1	0.0	0.3	0.9	1.4	3.3	5.7	**-1.9**	**1.1**
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.9	4.0	2.4	...	...	...	...	...	...	...	...	**2.9**	**...**
Inflation rate (GDP deflator, in percent)	6.4	1.3	2.4	2.3	2.5	2.5	2.5	2.5	2.5	2.5	2.5	**4.5**	**2.7**
Growth of real primary spending (deflated by GDP deflator, in percent)	22.4	31.8	-0.9	30.1	-10.9	5.7	5.1	5.9	5.8	3.0	2.9	**3.1**	**5.2**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	4.3	0.8	0.5	2.5	1.9	3.1	3.2	2.9	2.8	1.5	1.2	**1.9**	**2.3**
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.

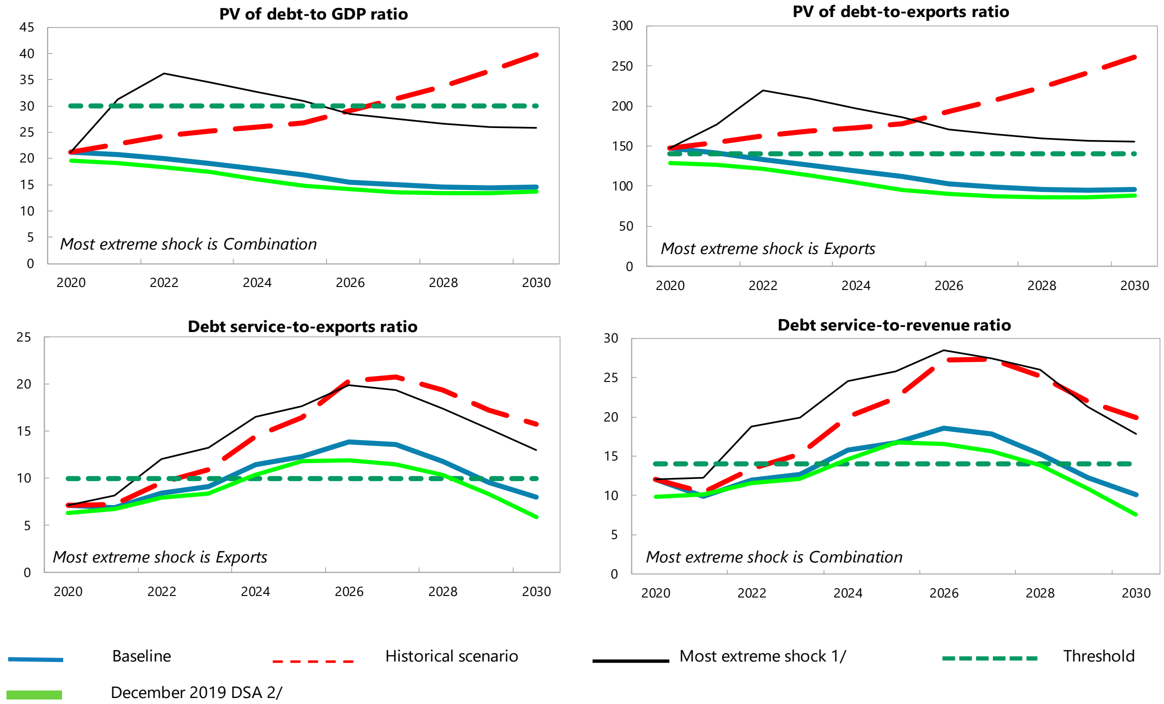
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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, 2020–30



Customization of Default Settings	Size	Interactions
Standardized Tests	Yes	
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices [3/]	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.

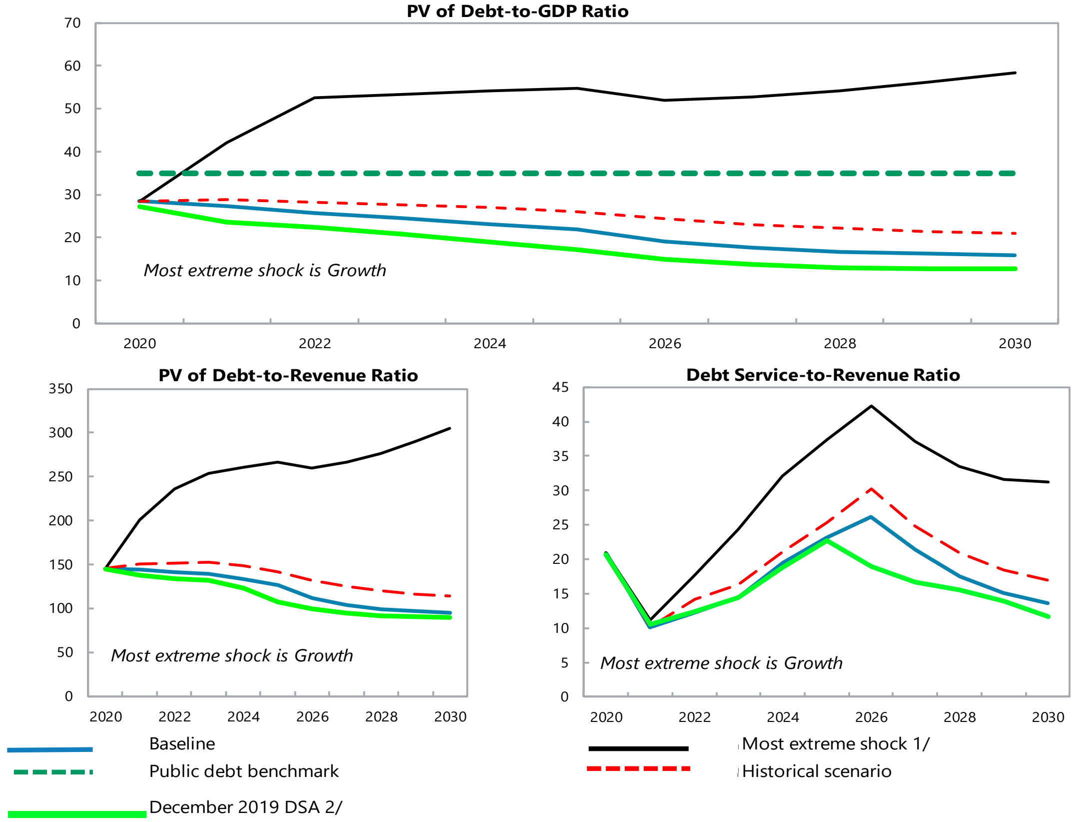
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.8%	0.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	6	6

* 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 2030. 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 alternative scenario corresponds to the latest DSA (December 2019)
3/ 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, 2020–30



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	77%	77%
Domestic medium and long-term	8%	8%
Domestic short-term	15%	15%
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.8%	0.8%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.5%	5.5%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	2%	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 2030. 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.

2/ The alternative scenario corresponds to the latest DSA (December 2019)

Table 3. Central African Republic: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–30

	Projections										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	**21.1**	**20.8**	**20.0**	**19.0**	**17.9**	**16.9**	**15.5**	**14.9**	**14.5**	**14.4**	**14.5**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	21.1	22.8	24.3	25.3	26.0	26.8	29.1	31.3	33.8	36.6	39.7
A2. Alternative Scenario : December 2019 DSA	19.6	19.1	18.3	17.3	15.9	14.8	14.1	13.5	13.3	13.4	13.7
B. Bound Tests											
B1. Real GDP growth	21.1	25.6	30.3	28.8	27.1	25.7	23.5	22.6	22.0	21.9	22.0
B2. Primary balance	21.1	22.5	23.1	22.2	21.0	19.9	18.3	17.7	17.2	17.0	17.0
B3. Exports	21.1	22.1	23.7	22.6	21.4	20.3	18.6	18.0	17.5	17.2	17.1
B4. Other flows 2/	21.1	24.8	27.4	26.1	24.8	23.6	21.7	21.0	20.4	19.8	19.5
B5. One-time 30 percent nominal depreciation	21.1	26.1	21.6	20.4	19.2	18.1	16.5	15.8	15.4	15.5	15.8
B6. Combination of B1-B5	21.1	31.2	36.2	34.5	32.7	31.0	28.5	27.5	26.5	26.0	25.8
C. Tailored Tests											
C1. Combined contingent liabilities	21.1	27.1	27.0	26.2	24.9	23.7	21.8	21.1	20.7	20.5	20.5
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	**147.2**	**141.2**	**133.4**	**126.7**	**119.0**	**112.2**	**102.8**	**98.7**	**95.8**	**95.1**	**95.4**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	147.2	154.9	162.3	168.6	172.8	177.7	192.9	207.3	223.0	241.3	261.2
A2. Alternative Scenario : December 2019 DSA	128.8	126.8	121.6	114.0	104.8	94.9	90.6	87.1	85.7	86.0	88.0
B. Bound Tests											
B1. Real GDP growth	147.2	141.2	133.4	126.7	119.0	112.2	102.8	98.7	95.8	95.1	95.4
B2. Primary balance	147.2	153.3	153.9	148.1	139.8	131.8	121.1	117.0	113.7	112.3	112.0
B3. Exports	147.2	177.2	219.3	208.9	196.9	186.2	171.0	164.9	159.9	156.9	155.6
B4. Other flows 2/	147.2	168.5	182.7	174.4	165.0	156.5	144.0	139.3	134.4	130.7	128.3
B5. One-time 30 percent nominal depreciation	147.2	141.2	114.9	108.8	101.8	95.5	87.3	83.5	80.9	81.3	82.7
B6. Combination of B1-B5	147.2	188.1	160.5	187.4	176.8	167.3	153.7	148.3	142.7	139.8	138.4
C. Tailored Tests											
C1. Combined contingent liabilities	147.2	183.9	179.9	175.0	165.7	156.9	144.5	139.9	136.5	135.2	135.1
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	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**
Debt service-to-exports ratio											
Baseline	**7.2**	**6.9**	**8.4**	**9.1**	**11.5**	**12.3**	**13.9**	**13.6**	**11.8**	**9.6**	**8.0**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	7.2	7.2	9.5	10.9	14.5	16.4	20.3	20.8	19.4	17.2	15.7
A2. Alternative Scenario : December 2019 DSA	6.3	6.7	8.0	8.4	10.3	11.9	11.9	11.4	10.4	8.3	**5.9**
B. Bound Tests											
B1. Real GDP growth	7.2	6.9	8.4	9.1	11.5	12.3	13.9	13.6	11.8	9.6	8.0
B2. Primary balance	7.2	6.8	8.6	9.4	11.7	12.5	14.1	13.7	12.4	10.6	9.1
B3. Exports	7.2	8.2	12.0	13.2	16.5	17.6	19.9	19.4	17.4	15.2	13.0
B4. Other flows 2/	7.2	6.9	8.8	9.8	12.1	12.9	14.4	14.1	13.5	12.3	10.6
B5. One-time 30 percent nominal depreciation	7.2	6.9	8.4	8.9	11.2	12.1	13.7	13.4	11.6	8.5	7.0
B6. Combination of B1-B5	7.2	7.6	10.8	11.6	14.4	15.4	17.4	17.0	16.3	13.5	11.5
C. Tailored Tests											
C1. Combined contingent liabilities	7.2	6.8	9.0	9.7	12.1	12.8	14.4	14.0	12.2	10.0	8.4
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	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**
Debt service-to-revenue ratio											
Baseline	**12.1**	**9.8**	**11.9**	**12.7**	**15.8**	**16.7**	**18.6**	**17.9**	**15.3**	**12.2**	**10.1**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	12.1	10.4	13.4	15.2	20.0	22.3	27.2	27.4	25.1	22.0	19.8
A2. Alternative Scenario : December 2019 DSA	9.9	10.1	11.6	12.1	14.6	16.8	16.5	15.6	13.9	10.8	**7.6**
B. Bound Tests	9.9	10.1	11.6	12.1	14.6	16.8	16.5	15.6	13.9	10.8	**7.6**
B1. Real GDP growth	12.1	12.1	18.0	19.3	24.0	25.4	28.1	27.1	23.1	18.5	15.3
B2. Primary balance	12.1	9.8	12.1	13.1	16.2	17.1	18.8	18.0	16.1	13.6	11.5
B3. Exports	12.1	9.9	12.2	13.3	16.5	17.4	19.2	18.4	16.3	14.0	11.8
B4. Other flows 2/	12.1	9.8	12.4	13.6	16.7	17.5	19.3	18.5	17.5	15.7	13.4
B5. One-time 30 percent nominal depreciation	12.1	12.3	14.9	15.5	19.4	20.6	22.9	22.1	18.9	13.7	11.1
B6. Combination of B1-B5	12.1	12.3	18.7	19.9	24.5	25.8	28.5	27.4	26.0	21.2	17.9
C. Tailored Tests											
C1. Combined contingent liabilities	12.1	9.8	12.7	13.5	16.6	17.5	19.2	18.5	15.9	12.8	10.6
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	**14.0**	**14.0**	**14.0**	**14.0**	**14.0**	**14.0**	**14.0**	**14.0**	**14.0**	**14.0**	**14.0**

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, 2020-30

	Projections										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	**28.5**	**27.3**	**25.7**	**24.4**	**23.2**	**21.8**	**19.0**	**17.6**	**16.7**	**16.3**	**15.9**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	28.5	28.8	28.3	27.6	26.9	25.9	24.4	23.1	22.1	21.4	20.9
A2. Alternative Scenario : December 2019 DSA	27.1	23.6	22.4	20.8	18.9	17.1	14.9	13.8	13.0	12.8	12.8
B. Bound Tests											
B1. Real GDP growth	28.5	42.1	52.5	53.3	54.1	54.7	52.0	52.7	54.1	56.2	58.4
B2. Primary balance	28.5	29.8	29.8	28.2	26.8	25.4	22.2	20.8	19.8	19.2	18.8
B3. Exports	28.5	28.5	29.1	27.7	26.3	24.9	21.8	20.4	19.4	18.8	18.3
B4. Other flows 2/	28.5	31.3	33.1	31.5	30.1	28.5	25.2	23.7	22.6	21.7	20.9
B5. One-time 30 percent nominal depreciation	28.5	40.1	37.4	35.0	32.5	29.8	25.0	22.3	20.2	18.8	17.6
B6. Combination of B1-B5	28.5	32.3	32.3	31.6	30.7	29.6	26.4	24.8	23.8	23.2	22.8
C. Tailored Tests											
C1. Combined contingent liabilities	28.5	37.0	34.3	32.3	30.8	29.2	25.8	24.3	23.3	22.7	22.2
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.
Public debt benchmark	**35.0**	**35.0**	**35.0**	**35.0**	**35.0**	**35.0**	**35.0**	**35.0**	**35.0**	**35.0**	**35.0**
PV of Debt-to-Revenue Ratio											
Baseline	**145.6**	**144.1**	**141.0**	**139.6**	**133.2**	**126.0**	**111.2**	**103.7**	**99.0**	**96.7**	**95.4**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	146	150	151	153	148	141	132	125	120	117	114
A2. Alternative Scenario : December 2019 DSA	20.7	10.5	12.4	14.4	18.9	22.7	18.9	16.7	15.5	13.9	11.7
B. Bound Tests											
B1. Real GDP growth	145.6	200.9	236.2	253.9	260.9	266.0	259.7	266.2	276.6	290.2	305.2
B2. Primary balance	145.6	157.6	163.4	161.1	154.2	146.5	130.5	122.5	117.3	114.3	112.2
B3. Exports	145.6	150.4	159.5	158.3	151.4	143.6	127.9	120.2	115.0	111.6	109.2
B4. Other flows 2/	145.6	165.3	181.4	180.4	173.0	164.5	147.7	139.7	133.6	128.9	125.2
B5. One-time 30 percent nominal depreciation	145.6	219.9	212.0	206.7	193.0	177.2	150.6	134.8	122.9	114.5	107.9
B6. Combination of B1-B5	145.6	165.5	163.4	168.0	164.4	159.0	144.9	137.2	132.6	130.4	129.2
C. Tailored Tests											
C1. Combined contingent liabilities	145.6	195.4	188.0	184.7	177.1	168.7	151.4	143.1	137.9	135.0	133.1
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.
Debt Service-to-Revenue Ratio											
Baseline	**20.9**	**10.1**	**12.2**	**14.5**	**19.5**	**23.1**	**26.2**	**21.4**	**17.5**	**15.0**	**13.6**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	20.9	10.1	14.2	16.3	21.0	25.4	30.2	24.9	20.9	18.4	16.9
A2. Alternative Scenario : December 2019 DSA	20.7	10.5	12.4	14.4	18.9	22.7	18.9	16.7	15.5	13.9	11.7
B. Bound Tests											
B1. Real GDP growth	20.9	11.1	17.7	24.4	32.1	37.4	42.3	37.1	33.5	31.6	31.2
B2. Primary balance	20.9	10.0	15.8	19.6	21.8	23.7	26.3	21.5	18.2	16.2	14.9
B3. Exports	20.9	10.1	12.3	14.7	19.8	23.3	26.4	21.6	18.0	16.2	14.7
B4. Other flows 2/	20.9	10.1	12.5	15.0	20.1	23.6	26.6	21.8	19.0	17.5	16.0
B5. One-time 30 percent nominal depreciation	20.9	10.6	14.2	16.6	22.4	26.2	29.7	24.9	20.6	17.4	15.4
B6. Combination of B1-B5	20.9	10.4	13.1	17.4	24.1	28.6	32.4	27.5	23.6	21.0	19.6
C. Tailored Tests											
C1. Combined contingent liabilities	21	10	26	24	22	24	27	22	18	16	14
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.

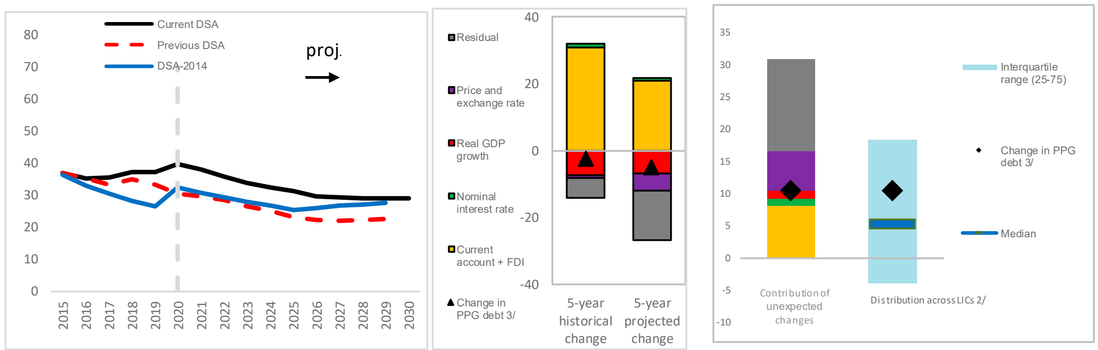
Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

2/ Includes official and private transfers and FDI.

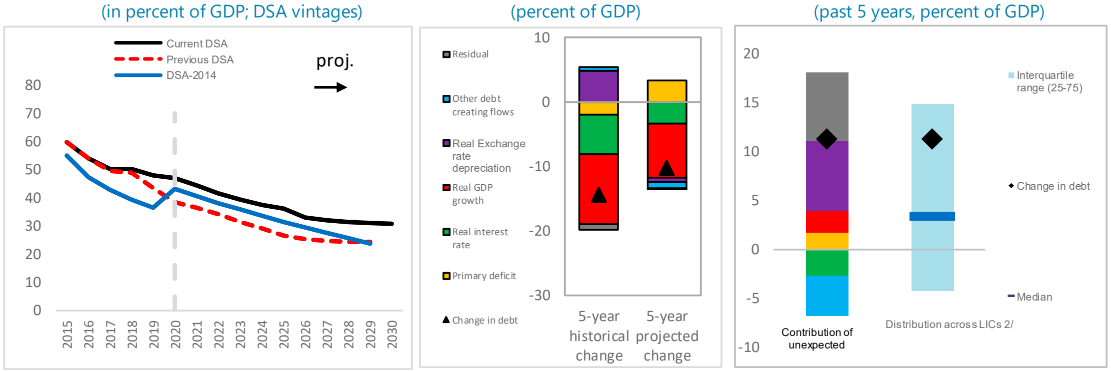
Figure 3. Central African Republic: Drivers of Debt Dynamics - Baseline Scenario

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Public debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



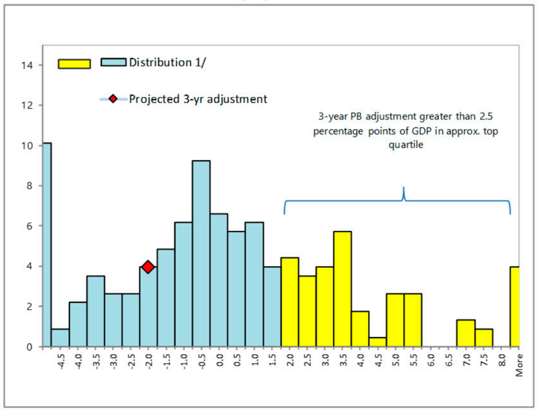
1/ Difference between anticipated and actual contributions on debt ratios.

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.

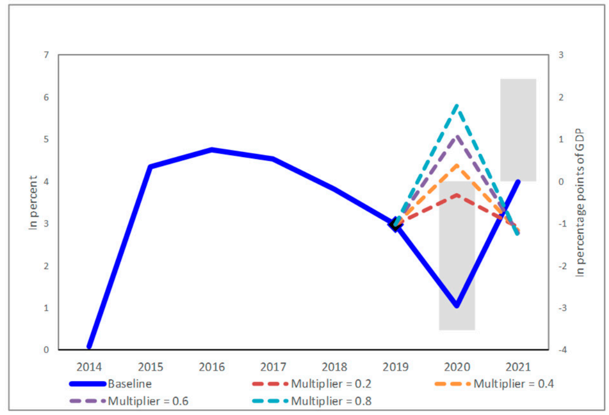
Figure 4. Central African Republic: Realism Tools

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



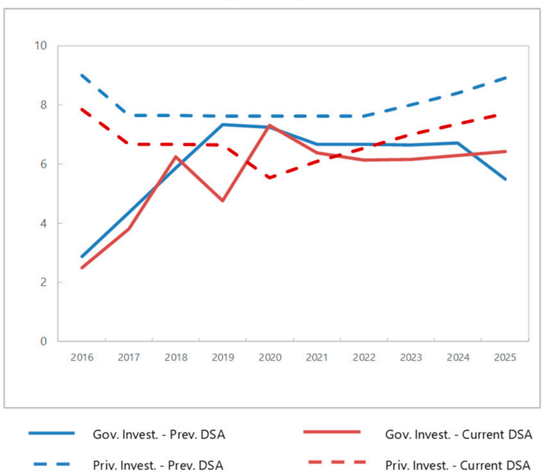
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

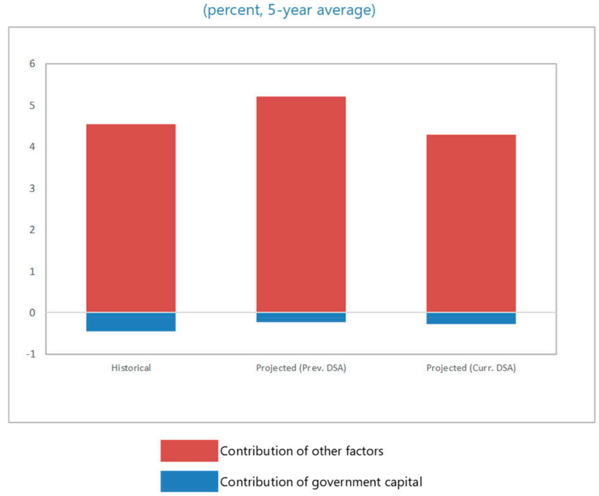


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(% of GDP)



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



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

April 20, 2020

1. The authorities of the Central African Republic (C.A.R.) are grateful to Executive Directors, Management and Staff for the continued support that they have benefited, including through the recent approval of debt service relief under the Catastrophe Containment and Relief Trust (CCRT). The COVID-19 pandemic is striking C.A.R. at a critical time as progress was being made in strengthening macroeconomic stability, notably in the context of the Extended Credit Facility (ECF) arrangement. Efforts were also being made in restoring political stability in the country following the February 2019 Political Agreement for Peace and Reconciliation. In response to the pandemic, the authorities acted swiftly with containment measures and the preparation of a response plan in collaboration with the World Health Organization (WHO) to control the contagion and strengthen the health system. To cope with the financing needs created by this tremendous exogeneous shock, the authorities are requesting emergency assistance from the Fund under the Rapid Credit Facility (RCF).

Developments Prior to the COVID-19 Pandemic

2. While declining from 3.8 percent in 2018, growth remained in solid positive territory at 3.0 percent in 2019 owing partly to higher diamond and gold output albeit lower cotton and coffee production. Inflation remained below the regional convergence threshold of 3.0 percent. The current account deficit declined to 5.6 percent of GDP in 2019 from 8.0 percent in 2018 contributing to an improvement in the overall balance of payments. The overall fiscal balance excluding grants improved while public debt inched lower to 48.0 percent of GDP in 2019 from 50.0 percent in 2018. The banking system is well capitalized, profitable and liquid, and non-performing loans have declined from 19.1 percent in August-2019 to 12.6 percent at end-2019. The outlook was broadly favorable as GDP growth was projected to 5.0 percent over the medium-term supported by improvements in mining and energy sectors.

3. The authorities have pursued a recovery and peace building process laid out in the February 2019 Political Agreement for Peace and Reconciliation. Presidential and legislative elections are scheduled for December 2020 and are expected to further consolidate stability. At the same time, further progress is needed to resettle the high number of refugees displaced during the insecurity period.

Impact of the COVID-19 Pandemic and Policy Responses

4. The number of confirmed COVID-19 cases in CAR has reached 12 individuals as of April 16, 2020. As indicated earlier, the authorities have acted swiftly to contain the spread of the

pandemic with notably the closures of borders and schools, travel restrictions, the interdiction of large gatherings and the promotion of good hygiene practices. The response plan prepared in collaboration with the WHO aims to ensuring medical treatment to infected people, enhancing control at main borders and strengthening the healthcare system. The plan is expected to cost CFAF 27 billion (2 percent of GDP). That said, the country is facing important infrastructure challenges, including in water supply, which alter the effectiveness of the response plan.

5. The pandemic is significantly affecting all sectors of the economy as result of lower external demand, commodity prices and remittances as well as disruption of trade with neighboring countries and activity slowdown resulting from borders closure. As a consequence, the economic outlook has worsened. The GDP growth projection for 2020 has been revised downward to 1.0 percent while inflation will increase to 3.5 percent. The external account balance is expected to deteriorate including on grounds of reduced financial flows. This will result in a large external financing gap. On the fiscal front, the primary domestic deficit will widen on account of lower revenues and higher health-related spending, creating also substantial financing needs.

6. The authorities are firmly committed to pursue prudent macroeconomic policies and structural reforms towards improving domestic revenue mobilization, strengthening public financial management, and enhancing governance and the business climate, as envisaged under the ECF arrangement. Meanwhile, they ought to loosen the fiscal stance to accommodate pandemic-related expenditures. Without losing sight of their policy priorities for inclusive growth and poverty reduction, the government will also save up to 0.5 percent of GDP or CFA 6 billion on non-priority spending. Assistance to the vulnerable segments of the population will be scaled up as soon as additional financial support from partners become available.

7. As regard monetary and financial policies, the regional central bank BEAC has lowered policy rates, increased liquidity provision, expanded the range of financial collaterals for its refinancing, and reduced the cost of bank services to support the economy. At the same time, the regional banking commission COBAC is strengthening its supervision to preserve financial stability.

Request for Financing Under The RCF

8. The Central African Republic authorities are requesting a disbursement under the exogenous shock window of the Rapid Credit Facility equivalent to 25 percent of the country's quota or SDR 27.85 million to cover part of the significant financing needs created by the pandemic. The disbursement will not affect the country's high risk of debt distress rating and its capacity to repay the Fund which is considered as adequate. At the same time, the authorities are determined to pursue their efforts towards reaching satisfactory agreements with all bilateral creditors to improve debt sustainability. While support from other donors including the World Bank and the European Union will complement the RCF resources, more external assistance in

the form of grants and concessional financing is needed to close the financing gaps. They hope they can count on such solidarity.

Conclusion

9. The COVID-19 pandemic has added important needs to C.A.R. and is threatening the authorities' efforts towards recovery and peacebuilding from a very fragile situation. The authorities will highly appreciate the Executive Board's approval of their request for emergency financing to strengthen the country's capacities, particularly in the health system, to cope with the pandemic. This will also help lay the foundation for pursuing macroeconomic stability and inclusive growth after the pandemic subsides.