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

In the context of the First Review under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its October 30, 2023, consideration of the staff report that concluded the First Review under the Extended Credit Facility with the Central African Republic.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on October 30, 2023, following discussions that ended on September 9th, with the officials of the Central African Republic on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on October 16, 2023.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for the Central African Republic.

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

PR23/366

IMF Executive Board Completes the First Review under the Extended Credit Facility Arrangement for the Central African Republic and Approves US$25 Million Disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board today completed the first review under the Extended Credit Facility Arrangement for the Central African Republic. The completion of the first review allows for an immediate disbursement of SDR 19.17 million (about US$25 million) to the Central African Republic to address its protracted balance of payments needs, sustaining priority spending on basic public services.
- The economy is projected to grow by 1.0 percent in 2023, compared to 1.5 percent in 2022, and should recover moderately to 1.5 percent in 2024 while inflation is expected to remain high.
- Program implementation has been mixed for the first review, against challenging macroeconomic backdrop in the first half of the year. The authorities are taking measures to ensure that end-December 2023 targets are met, including by shoring up revenue collection. The authorities remain committed to strong policies.

Washington, DC – **October 30, 2023:** The Executive Board of the International Monetary Fund (IMF) completed today the first review of the Extended Credit Facility arrangement (ECF) of SDR 141.68 million (about US$191.4 million) for the Central African Republic (CAR). The ECF was approved by the IMF Executive Board in April 2023 (see Press Release No. 23/129). The completion of this review allows for the immediate disbursement of SDR 19.17 million (about US$25 million) bringing total disbursements under the ECF to SDR 30.47 million (around US$40 million).

In completing the review, the Executive Board also approved the authorities' request for a waiver for nonobservance of certain performance criteria. Furthermore, the Executive Board completed the financing assurances review under the ECF. The Executive Board also approved the rephasing of access under the ECF to better align IMF disbursements with the timing of CAR's balance of payments needs.

The ECF is part of coordinated efforts by international financial institutions to support the people of CAR. It will continue to help the country meet protracted balance of payments needs and sustain spending on basic public services, including in the health and education sectors. The ECF has also helped anchor important governance-related initiatives such as the recent approval of the anti-corruption law. The authorities have committed to further strengthen governance, transparency, and financial integrity frameworks.

Economic activity in 2023 has improved though not as much as initially anticipated at the time of ECF approval. Growth bounced back from the fuel crisis of 2022, with fuel imports improving in response to the authorities' reforms of the sector. Inflationary pressures remain elevated, driven by energy and food prices. Inflation projection for 2023 was raised from 6.3 percent to 6.5 percent. The fiscal performance has been mixed, with expenses exceeding projections despite encouraging revenues collection. The primary deficit is projected to decline to 3.8 percent of GDP from 4.5 percent in 2022. Access to regional financing has markedly improved after the ECF was approved in April.

Following the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director and acting Chair, issued the following statement:

"The ECF arrangement has helped address a rapidly deteriorating economic and humanitarian situation in Central African Republic (CAR) by immediately boosting access to financing from the regional market and unlocking concessional financing from other International Financial Institutions. The financing, coupled with domestic reforms, offer a path out of deep-rooted fragility. Both technical and financial support from development partners remain vital to the program's success, coupled with humanitarian assistance to support CAR's population.

"Program performance has been mixed against a difficult macroeconomic backdrop. Strong corrective actions have been taken to address this performance. Progress has been achieved in advancing structural reforms, including early adoption of the Anti-Corruption Law, which is a signal of the authorities' commitment to reforms.

"In 2024, decisive steps are required to bolster domestic revenues by streamlining tax exemptions, strengthening VAT collection, and fostering customs revenues. The operationalization of the new tax IT system and the deployment of new customs offices at the country's borders stand to generate important efficiency gains. At the same time, continued reforms in the fuel market remain a stepping-stone to achieve the ambitious revenue target.

"The authorities should step up social spending while also prioritizing investment in additional fuel storage capacity and infrastructure to overcome revenue volatility. Strengthening public debt management would alleviate rollover risks, including by lengthening the tenor of new issuances and building cash buffers. Improving debt statistics is also important.

"Continued efforts to strengthen governance, transparency, and anti-corruption frameworks remain crucial, together with measures to improve the business climate.

"CAR's economic program will continue to be supported by the implementation of policies and reforms agreed among the CEMAC regional institutions, which notably aim at supporting an increase in regional net foreign assets and which are ultimately critical to the program's success."

Central African Republic: Selected Economic and Financial Indicators, 2020-2027

	2020	2021	2022	2023		2024	2025	2026	2027
	Est.	Est.	Est.	ECF Reqt.	Proj.	Projections			
	(Annual percentage change; unless otherwise indicated)								
National income and prices									
GDP at constant prices	1.0	1.0	0.5	2.2	1.0	1.5	2.5	3.7	3.7
GDP per capita at constant prices	-0.8	-1.0	-1.5	0.2	-1.1	-0.5	0.5	1.5	1.5
GDP at current prices	2.8	4.3	6.8	9.1	7.9	6.1	5.3	6.3	6.2
GDP deflator	1.9	3.3	6.3	6.7	6.9	4.6	2.7	2.5	2.4
CPI (annual average) [1]	0.9	4.3	5.6	6.3	6.5	3.2	2.8	2.5	2.5
CPI (end-of-period)	1.8	2.7	7.6	4.4	5.5	2.8	2.7	2.1	2.6
Money and credit									
Broad money	11.5	14.6	2.5	3.6	3.6	2.9	4.5	3.1	6.4
Credit to the economy	8.5	-2.2	-1.4	8.0	13.0	7.4	5.1	0.2	4.7
External sector									
Export volume of goods	9.4	-5.3	2.6	9.0	9.0	5.2	9.0	5.4	8.9
Import volume of goods	7.4	-11.5	-5.5	6.7	7.4	7.1	8.9	5.1	8.9
Terms of trade	-16.2	1.8	-8.4	12.4	14.7	7.9	6.1	2.1	12.3
	(Percent of GDP; unless otherwise indicated)								
Gross national savings	10.7	4.6	2.1	6.7	7.0	7.5	10.1	11.9	13.9
Of which: current official transfers	5.1	0.0	0.0	1.6	1.5	1.0	2.0	3.1	3.1
Gross domestic savings	-0.5	-2.5	-5.2	-2.1	-1.6	-1.0	0.5	1.3	3.3
Government	-4.5	-3.4	-3.9	-3.1	-3.5	-2.4	-1.7	-0.7	-0.1
Private sector	4.0	0.9	-1.3	1.0	1.9	1.4	2.2	2.0	3.4
Consumption	100.5	102.5	105.2	102.1	101.6	101.0	99.5	98.7	96.7
Government	9.6	9.1	8.4	7.9	8.3	7.8	7.8	7.7	7.5
Private sector	90.9	93.4	96.8	94.2	93.3	93.2	91.7	91.0	89.2
Gross investment	18.9	15.7	14.9	15.3	15.6	15.8	16.9	17.3	18.4
Government	11.3	7.4	5.9	5.8	6.1	5.8	6.4	6.3	6.8
Private sector	7.5	8.3	8.9	9.5	9.5	10.0	10.5	11.1	11.6
External current account balance									
with grants	-8.2	-11.1	-12.8	-8.7	-8.6	-8.3	-6.9	-5.4	-4.5
without grants	-15.0	-13.0	-14.8	-12.3	-12.1	-11.3	-10.8	-10.5	-9.6
Overall balance of payments	-0.9	0.1	-7.8	-2.9	-2.6	-3.0	-1.2	0.3	2.6
Central government finance									
Total revenue (including grants)	21.8	13.7	12.3	13.8	14.7	14.2	16.3	17.9	18.0
of which: domestic revenue	9.2	8.8	7.8	7.9	8.3	9.0	9.8	10.6	10.9
Total expenditure [2]	25.1	19.7	17.6	16.8	18.0	17.3	18.0	17.7	17.9
of which: capital spending	11.3	7.4	5.9	5.8	6.1	5.8	6.4	6.3	6.8
Overall balance									
Excluding grants	-16.0	-10.9	-9.9	-8.9	-9.7	-8.3	-8.2	-7.1	-6.9
Including grants	-3.4	-6.0	-5.4	-3.0	-3.3	-3.1	-1.7	0.2	0.1
Domestic primary balance [3]	-6.6	-5.1	-4.5	-3.6	-3.8	-2.8	-2.2	-1.6	-1.4
Public sector debt [4]	44.4	48.6	54.2	50.5	52.9	53.3	52.5	48.7	45.9
Of which: domestic debt [5]	9.4	13.2	18.2	18.4	20.3	22.0	22.2	19.6	18.0
Of which: external debt	35.0	35.3	36.0	32.0	32.6	31.3	30.3	29.1	27.9
Memorandum items:									
GDP per capita (US dollars)	494	525	490	534	538	566	585	611	632
Nominal GDP (CFAF billions)	1,373	1,432	1,530	1,671	1,651	1,752	1,844	1,961	2,082

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

[1] Revision of CPI weights and transition to COICOP was performed starting from 2020. Therefore, there is a structural break in the series for 2019.

[2] Expenditure is on a cash basis.

[3] Excludes grants, interest payments, and externally-financed capital expenditures.

[4] The changes in domestic debt estimates reflect a correction of the estimates reported in the RCF' staff report tables, which had not been updated. This did not affect the debt sustainability analysis.

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

CENTRAL AFRICAN REPUBLIC

October 16, 2023

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERIA, REPHASING OF ACCESS, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Board approval of the new ECF-supported program helped avert a crisis in CAR. The new program immediately boosted investor confidence and markedly improved the government's access to domestic financing. The program has also established a framework to implement much-needed fiscal and governance reforms, unlock IFI financing, safeguard public service delivery in social sectors. Yet, the overall environment has stayed fragile due to protracted security risks and a volatile political situation, which was recently heightened by a constitutional reform that removed presidential term limits. Further, the macroeconomic standing remains weak as CAR continues to climb out of the loss of budget support and severe disruptions in the local fuel market.

Outlook and risks. The medium-term outlook remains uncertain. The baseline scenario assumes a resolution to the fuel shortages, a significant strengthening of policies consistent with program commitments, and a partial resumption in donor support. The baseline remains subject to exceptionally high downside risks, particularly those related to the security, the supply of fuel, and the rollover risks. Given CAR's extremely fragile situation, the crystallization of these risks could tip the country into a deep crisis with the government unable to provide basic services or pay wages. In this situation, domestic and external arrears could emerge. CAR remains at a high risk of external and overall debt distress.

Program performance. Performance under the program has been mixed for the first review, against a challenging macroeconomic backdrop in the first four months of the year. Yet, most of end-year targets remain within reach. Two of the three quantitative

performance criteria (QPC) at end-June 2023 were missed by small margins, reflecting spending overrun for both education and the security personnel, as well as the authorities' decision to take advantage of improved investor confidence to frontload domestic financing. Two of the three indicative targets—social spending and spending through extraordinary procedures—were also missed. On the other hand, all but one structural benchmarks (SB) for the first review were met. Moreover, the authorities are committed to implementing corrective actions to avoid further misses of targets. These measures include (i) additional revenue efforts in the recently approved revised 2023 Budget Law, with a focus on recovering overdue taxes, a stronger fuel-import tax collection, and a steadier implementation of the revenue measures adopted earlier in the year; (ii) a new mechanism to monitor the achievement of QPCs on a monthly basis with a direct oversight by the Minister of Finance; (iii) a revenue-led consolidation to be enshrined in the 2024 Budget Law; and (iv) an updated financing strategy to address the lumpy debt maturities through 2026 and improve the tenor distribution of new issuances.

Policy Recommendations. Revenue mobilization in 2024 should be fostered by streamlining tax exemptions, strengthen VAT collection, and bolster revenues at customs. Longer-term fiscal reforms would include centralizing all resources received by public entities in the single Treasury account, improve transparency in the recording of customs operations, optimize the new electronic tax system, and simplify the fuel price structure. The increase in revenues should be met by a spending structure that prioritizes social-related outlays and thus equitable growth. In parallel, the authorities should adopt a more proactive debt management approach and build cash buffers to mitigate rollover risks. Finally, fostering good governance, anti-corruption efforts, transparency and financial integrity will be critical to catalyze donor support.

Program issues. The authorities request a rephasing of program disbursements for a better alignment with balance of payment (BoP) needs that have changed since the program approval, partly from an increase in interest payments on external obligations. Risks on this rephasing are mitigated by (i) the authorities' continued commitment to deposit the share of program disbursements in CAR's SDR account at the IMF to prefinance 100 percent of the obligations to the Fund for at least 6 months, and (ii) the authorities' commitment to the program objectives.

Updated conditionality. To mitigate the multifaceted risks from the law governing the tokenization of natural and land resources (Tokenization law), a prior action for the first review was established whereby the authorities requested a written opinion on the consistency of the legislation with the CEMAC legal and regulatory framework. Also, three SBs were added for the *second review:* (i) to operationalize the cross-verification module of the new tax IT system; (ii) to adopt a new and streamlined fuel pricing structure; and (iii) to bolster the financial intelligence unit (ANIF). Four SBs were added for the *third review*: (i) to define the minimal criteria for official taxpayer recognition; (ii) to prepare a fiscal risk statement on the Sango project; (iii) to conduct an audit of hydrocarbon imports costs and margins; and (iv) to operationalize the asset declaration law.

Approved By
Vitaliy Kramarenko (AFR) and Jarkko Turunen (SPR)

Discussions on the First Review under the Extended Credit Facility Arrangement took place in Bangui during August 29 – September 9, 2023. The mission team consisted of Mr. Touna Mama (head), Mr. Hatcherian, Mr. Essiane (AFR), Julieth Pico (FAD), and Mr. Tuuli (SPR). Mr. Mbaye (resident representative), Mr. Zoungarani, and Ms. Philomene Mbonde from the local office supported the mission. The IMF team met with President Touadéra, Prime Minister Moloua, Finance Minister Ndoba, Energy Minister Piri, Mining Minister Beltoungou, BEAC National Director Chaïbou, and other senior government officials, development partners, and representatives from the private sector. Mr. Tall (OED) participated in key policy meetings. Khushboo Khandelwal and Mason Stabile (AFR) ably contributed to the preparation of this report.

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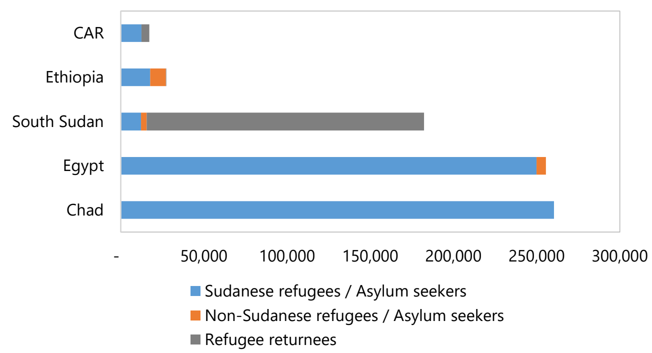
CONTEXT

1. **The new ECF-supported program helped avert a crisis in CAR**. The Board approval of the program on April 27, 2023, halted a rapidly deteriorating economic situation marked by drying up regional and foreign financing, contracting economic activity exacerbated by fuel shortages, gradual rationing of public services in social sectors, and looming balance of payments pressures. The new program immediately boosted investor confidence for CAR's government papers in the regional market and unlocked IFI financing. Even though underlying fragility will take time to subside, the reform package under the program supports policy continuity and offers the government a path to restore fiscal sustainability.

2. **The political and security challenges continue to add complexity to the socioeconomic situation.** The difficult humanitarian situation has worsened with the influx of refugees in the border areas with Sudan (Text Figure 1). A new Constitution was adopted on August 30, 2023, with presidential term limits eliminated. Local elections would take place in 2024. Recent security developments are mixed: the government's efforts to advance the 2019 peace process recently yielded the demobilization of five armed groups though hostilities involving the main rebel group, the *Coalition des Patriotes pour le Changement* (CPC), have not abated.

Text Figure 1. Refugee Influx from Sudan



Source: Sudan Situation Report, UNHCR (24th Jul 2023)

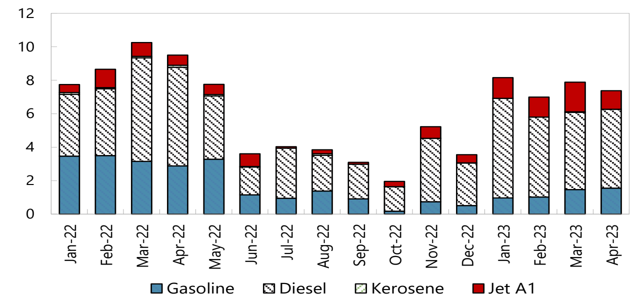
3. **Despite challenges, the reform agenda is on track.** All but one structural benchmarks (SB) have been implemented for the first review while some factors outside the authorities' control, such as security risks, contributed to small misses of QPCs. Still, QPCs for the end of December 2023 remain within reach. Going forward, as revenue mobilization increases, spending management improves, and governance strengthens, donor support should also rise. These dynamics will support debt and external sustainability by limiting twin deficits and favor a less expensive and more longer-term financing of those imbalances.

RECENT ECONOMIC DEVELOPMENTS

4. **The macroeconomic situation is bouncing back from last year's fuel crisis.** Fuel imports through the road in 2023H1 (Text Figure 2) improved though not enough to make up for the shortfall in storage caused by the weak river campaign in 2022H2. Financing conditions improved markedly after the program approval.

- *Economic activity in 2023 has improved though not as much as initially anticipated.* Real GDP growth projection for 2023 was cut from 2.2 percent to 1.0 percent, as limited fuel imports hindered manufacturing and transportation (Annex II). Acute food insecurity persists with approximately 2.4 million people (some 39 percent of CAR's population) in a crisis or in an emergency (IPC Phase 3 and IPC Phase 4) between April and August 2023.

Text Figure 2. Fuel Available for Consumption
(Millions of Liters, excl. Tax-Exempt Volumes)



Source: IMF

- *Inflation remains elevated driven by energy and food prices.* Inflation projection for 2023 was raised from 6.3 percent to 6.5 percent. Inflation should subside in the second half of 2023 provided fuel supply does not deteriorate.

- *The fiscal performance has been mixed.* Revenues through June reflect an adequate internal tax collection and some non-recurrent revenues, such as recoveries of past dues (around CFAF 4 billion) and BEAC's dividend distribution (about CFAF 1.75 billion). Yet, expenses exceeded the government's projections by CFAF 7.8 billion in part due to payments of overdue teachers' benefits and recruitment of new education and security personnel.

- *Access to regional financing has improved.* Subscriptions to regional debt issuances rose from an average of below 20 percent in 2023Q1 to about 70 percent in May and June. In March, the authorities opened a credit line with a local bank to address cash management challenges due to undersubscribed auctions and subpar revenue collections from fuel sales. On August 14, CAR raised CFAF 25 billion (1.5 percent of GDP) in a fully subscribed, syndicated issuance on the regional debt market, of which CFAF 15.3 billion were used to repay a maturing treasury bond.

- *Aggregate financial soundness indicators remain broadly adequate.* The banks' capital adequacy ratio was solid at 23.5 percent at end-December 2022, while the short-term liquidity ratio stood at 151.8 percent (Table 6). The NPL ratio stood at 12.4 percent, although down from 13.9 percent in December 2021. Gaps on liquidity and concentration of NPLs among banks call for increased vigilance.

- The *external position* remains substantially weaker than implied by fundamentals and desirable policy settings, due to a lack of competitiveness, weak buffers, and low donor support.

PROGRAM PERFORMANCE

5. **Performance under the program has been mixed, against a challenging macroeconomic backdrop** (Tables 8 and 9).

- **Two of the three end-June QPCs were missed by small margins.** The domestic primary balance exceeded its QPC by CFAF 2.5 billion (0.15 percent of GDP) due to small expenditure overruns mostly in the security and education sectors. The adjusted net domestic financing QPC was missed by around CFAF 8 billion, including as the treasury took advantage of improved investor confidence to frontload domestic financing. This QPC was adjusted upward to reflect a delay in the disbursements totaling CFAF 18 billion from the World Bank's operation to finance certain non-discretionary fiscal expenditures, initially expected for 2023Q2 but now anticipated to be disbursed before the end of October 2023. The QPC on domestic revenues was met.

- **The end-June indicative target (IT) on spending via emergency procedures was missed**, being at CFAF 6.6 billion as of end-June against a ceiling of CFAF 2.5 billion, a reflection of a weak public financial management (PFM) amid unforeseen expenses, mostly related to security needs. The metric is already above the ceiling of CFAF 5 billion for end-December 2023. Further, the IT on social spending was also missed. Social spending stood at CFAF 4.5 billion in June, below the targeted floor of CFAF 8 billion due to under-executed initiatives. One of the objectives of the social spending IT is to guarantee the funding of the PACAD transfer program, and last June the World Bank (WB) extended PACAD financing until April 2024. All three continuous performance criteria were met.

- **All but one structural benchmarks (SBs) for the first review were met**. The reduction in fuel prices at the pump targeted for October 2023 was met in July. The SB on the establishment of a public debt coordination and management framework was met in early October. The SB on the operationalization of key functions of the new IT system for domestic revenues is in progress and the authorities expect to overcome procurement challenges before end-October. In addition, the SB on the adoption of the Anti-Corruption Law (second review) was met in May, ahead of the target date of April 2024.

OUTLOOK AND RISKS

6. **The medium-term outlook was slightly marked down from the time of program approval and remains uncertain.** The baseline scenario assumes a resolution to the fuel shortages, a significant strengthening of policies consistent with program commitments, and a partial resumption in donor support. Real GDP should rebound to 1.5 percent in 2024 as manufacturing and services recover. By 2026, growth could accelerate to 3.7 percent if a stronger governance and business environment attracted donor support and private investment. Inflation, in turn, would decline towards the CEMAC's 3 percent convergence criterion. Further, if the medium-term budget objectives were met, the domestic primary deficit could narrow from 3.8 percent of GDP this year to below 2 percent by 2026. Concurrently, the current account deficit (including grants) would shrink from 8.6 percent of GDP to 5.4 percent of GDP during the same period.

7. The baseline remains subject to exceptionally high downside risks, including:

- *Security*. A deterioration in the security environment, particularly amid the rising geopolitical and geoeconomic tensions, could disrupt economic activity and donor financing, causing hefty revenue losses.

- *Fuel supply*. Structural changes in the sector with the entry of unexperienced players in the supply and transport value chain could delay the adequate provision of fuel (see Annex II). A failure to durably solve the shortages would weigh on growth, fiscal revenues, and inflation.

- *Rollover risks*. Stronger-than-expected tightening of regional financial conditions or unfavorable investor sentiment could hinder CAR's ability to refinance lumpy maturities through 2026.

- *External financing*. An inability to mobilize concessional donor support would challenge the financing of the balance of payments gap.

- Given CAR's extremely fragile situation, these *adverse shocks* could easily tip the country into a deep crisis with the government unable to provide basic services or pay wages. In this situation, domestic and external arrears could emerge.

8. CAR remains at high risk of overall debt distress and high risk of external debt distress. Public debt is projected to be sustainable, though there are substantial liquidity risks stemming from possible shortfalls in donor support and regional market access. Data outturn for domestic debt in 2022 where higher than initially projected which resulted in a 2 percentage points higher public debt-to-GDP ratio compared to program approval, further increasing debt related risks. The balance of payments' projections include a financing gap of about 2.9-5 percent of GDP per year. It is assumed that the authorities would be able to mobilize sufficient financing from IFIs, including the IMF, and/or from the regional market as reforms begin to take hold. The projected financing gap is significantly lower than the historic average of budget support of 6 percent of GDP given the sizable revenue-led adjustment.

POLICY DISCUSSIONS

The policy discussions focus on i) measures for a revenue-led fiscal consolidation within the recently adopted revised budget for 2023 and the upcoming budget law for 2024; ii) public debt management to meet upcoming maturities; iii) medium-term fiscal reforms; and iv) material changes in governance, anti-corruption, and AML/CFT controls to attract donor support and improve the business climate.

A. Stepping Up Revenue-led Fiscal Consolidation

Revised Budget for 2023

9. Improved revenue collection is needed to achieve the deficit target for 2023. Despite the small spending overrun in the first half of the year and delays and weaknesses in implementing revenue measures agreed in the budget, the primary balance QPC at end-2023 remains within reach assuming a step-up in revenue efforts and a containment in expenses after the small overrun during the first half of 2023. In particular, a stronger-than-initially envisaged domestic revenue collection of CFAF 5.7 billion for 2023 (Table 2) is anchored around (i) higher tax receipts from fuel sales following the reduction in pump prices and the decline in informal sector sales; (ii) improved collection of tax debts; and (iii) the gradual resolution of challenges in implementing the "TIC-TECH" tax on telecommunication services (MEFP ¶12). At the same time, a greater emphasis on expense containment is needed, across wages, transfers, and goods and services.

2024 Budget Law

10. The fiscal stance is set to tighten in 2024. A 1 percent reduction in the domestic primary deficit to 2.8 percent of GDP is envisaged for next year, of which 0.7 percent of GDP from revenue measures. At the same time, primary spending would remain relatively stable as a share of GDP, though the composition will shift towards social spending and domestically-financed capital expenditure (MEFP ¶13).

11. Revenue measures discussed and agreed with the authorities as part of the 2024 Budget Law (Text Table 1):

- **Efforts to broaden the tax base would focus on streamlining tax exemptions and tackling abuses.** Those initiatives should include expanding the list of goods non-eligible for customs duty exemptions under any national agreement (MEFP ¶23) and enforcing the sunset clauses on tax exemptions granted to companies under the Charter of Investment. Finally, the authorities could seek a dialogue with the MINUSCA to address potential exemption abuses, as foreseen in their bilateral convention (Art. 15b and Art. 21).

- **Measures to strengthen the efficiency of the VAT collection have also been introduced and could produce a higher revenue outturn next year.** The ongoing reforms entail reducing exemptions and applying law-based rates while applying the CEMAC directives on VAT on transport services. These measures are expected to improve the VAT yield to 1.9 percent of GDP in 2024 compared to 1.5 percent of GDP in 2022. Applying the import-VAT deferred payment process at customs, will reduce VAT credit accumulation and the subsequent deduction of those credits from other taxes. Introducing e-VAT, an electronic invoicing system for VAT-registered businesses, will allow real-time reporting and thus reduce the risk of underreporting and fraud.

- **Customs collection would also be strengthened along with a stronger implementation of the revenue measures introduced earlier this year.** A better oversight and enforcement of customs and tax code provisions should increase customs-related revenue next year by (i) applying the penalty on not recognized importers by the tax office, which will also promote formalization among businesses; and (ii) enforcing minimum customs declaration values for cigarette imports to address widespread under-declaration. Finally, the ongoing reform to transfer fees and charges for service provision in line ministries to the Treasury Single Account

(TSA) should expedite its progress, including the implementation of electronic payment at all payment points.

Text Table 1. Central African Republic: Revenue Measures for 2024 Budget Law

Measures	Expected collection (CFAF billion)	Expected collection (percent of GDP)	Details
Streamlining tax exemptions and strengthen VAT collection	4.5	0.3	• Transpose into national legislation Art. 11 of the CEMAC directive 11/22-CEMAC-UEAC-010A-CM-38, which establishes that intra-community transport operations of goods are accredited in the country of destination of the goods; • Incorporate within the list of goods non-eligible for tax exemptions under any national agreement the following items: rice, oil, sugar, flour, along with all goods imported from CEMAC countries; • Ensure the provision of the BEAC account dedicated to VAT refunds; • Apply the import-VAT deferred payment process at customs and tax office; • Introduce the e-VAT electronic invoicing system.
Strengthen revenue measures adopted in 2023	4	0.2	• Guarantee the enforcement of Art. 344 of the tax code, which imposes a 10 percent penalty (of the import value) and a minimum penalty of CFAF 1 million on companies not included in the tax office's list of recognized companies and individuals. • Ensure strict application of Art. 294 of the tax code, which sets a minimum value per pack of cigarettes for customs purposes. • Transfer fees and charges ("*menu recettes*") for service provision in line ministries to the Treasury Single Account. • Step-up the implementation of the "TICH-TECH" tax on telecommunication services. • Increase minium price for new category of cigarettes.
Fuel taxes	4	0.2	• Maximize formal fuel imports and apply formula at customs.

Source: IMF staff estimates and projections

12. Expenditure measures for 2024:

- **Infrastructure projects should be prioritized given limited financing options.** Initiatives should focus on improving the weak road network, the unreliable electricity supply, and the poor telecommunication penetration. Fiscal space for these endeavors should be created by containing non-priority outlays amid the aforementioned measures to increase revenues.

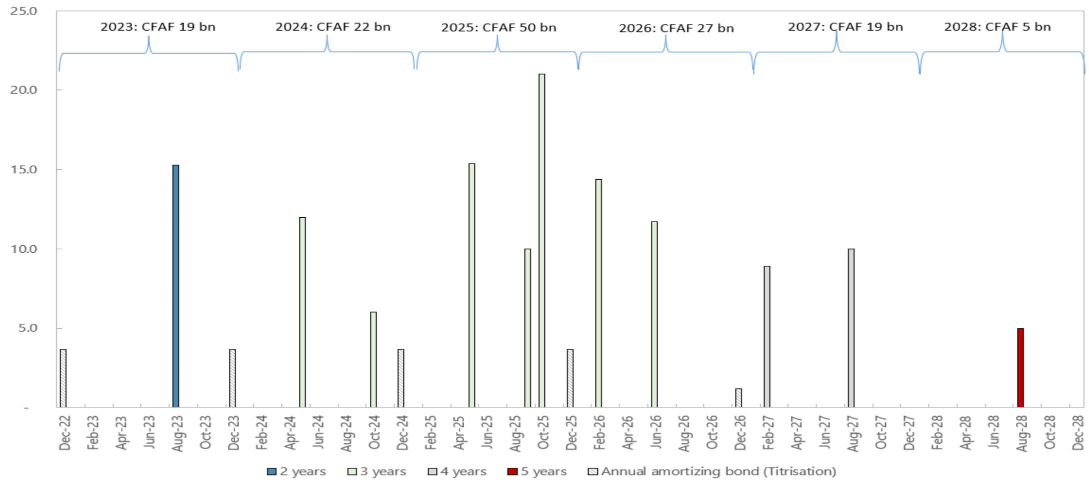
- **Social spending will have to be stepped-up.** Given the limited fiscal space, to increase much-needed social spending in 2024, non-priority spending will have to be selectively curtailed, with a particular focus on non-essential transfers and goods and services.

- **Outstanding payments ("reste à payer") should be gradually settled.** These are concentrated in unpaid capital expenditure, transfers, as well as goods and services. Outstanding payments constrain private sector financing and could create risks to the banking system.

B. Public Debt Management

13. The government faces lumpy and concentrated redemptions starting in 2024 (Text Figure 3). It results from the growing reliance on domestic financing to make up for the shortfall in budget support since 2021. For 2023, the authorities have opted for a domestic syndication to rollover a maturing 2-year treasury bond last August worth CFAF 15.3 billion (0.9 percent of GDP) as it allowed for direct engagement with investors unlike market auctions that are anonymous. As part of the syndication, the government issued a 4-year treasury bond for the first time since 2020.

Text Figure 3. Redemption Profile of Medium-Term Regional Debt by Original Tenor
(CFAF Billion)



Source: BEAC and IMF staff

14. Adopting proactive medium-term debt management strategy would help mitigate rollover risk. Authorities should explore: (i) scaling up issuances of different tenors, including to build cash buffers in the ringfenced account at BEAC (MEFP ¶18); (ii) pre-financing the redemption of bonds maturing in 2025 through issuances of 3-year instruments or longer; and (iii) voluntary liability management operations such as buybacks and market-based exchanges.

15. Improvement in the data management of debt statistics is important. The authorities see room for improvements in their statistics to bridge data gaps. They welcome IMF TA to further strengthen macroeconomic statistics.

C. Sustaining Medium-Term Fiscal Reforms

16. Medium-term fiscal reforms continue, anchored around the following initiatives based on the following commitments:

- *Public Financial Management.* Enforce the budgetary unity principle, which requires all resources received by public entities to be deposited in the TSA, and all expenditures and budget allocations to be transparently reflected in the Budget Law. Also, expedite the execution of the rapid results action plan agreed with the IMF, AFRITAC, and UNDP, needed to shift to program budget and accrual accounting (MEFP ¶30).

- *Customs administration.* Improve transparency in the recording of customs operations by streamlining the training to use the new software (ASYCUDA World) for all actors, including

SOCASP (MEFP ¶23). Enforce the application of all dispositions established in the customs and tax code.

- *Tax administration.* Incorporate the external data cross-verification module, which will optimize the new electronic tax system and improve collection *(SB for second review)* (MEFP ¶23).

- *Migration of fees and charges to the TSA*. The authorities have identified more than 700 fees and charges and not transferred to the TSA. The government conducted a reorganization of the system to collect these resources and laid down conditions for repatriating such revenue to the TSA. While the measure has been in effect for one month, an evaluation of the yields could help determine revenue collection targets per payment point. The pilot phase for electronic payment is underway (MEFP ¶23).

17. Also, the reform of the fuel market will advance. The consolidation of multiple taxes and levies imposed on fuel into a unified tax while maintaining a specific line for stock capacity expansion will allow financing the much-needed infrastructure in the country. A dedicated line for stock capacity expansion has been preserved. To promote accountability and prevent misallocation of resources, this fee will be deposited into an escrow account at the BEAC (MEFP ¶24).

D. Fostering Good Governance and Anti-Corruption Efforts, Transparency, and Financial Integrity

Court of Audit

18. Authorities are moving towards strengthening the institutional and financial independence of the Court of Audit. The Court is critical to audit public finances and prevent corruption and fraud. However, its effectiveness is hindered by a lack of independence vis-à-vis the executive (as a department of the Ministry of Justice) and insufficient financial, technical, and human resources. With European Union (EU) support, the authorities have prepared a new draft organic law that significantly improves the independence of the court. Once finalized, authorities have committed to submitting it to Cabinet for discussion (*SB, second review*) and subsequently to Parliament for adoption.

Compliance with AML/CFT Standards

19. The mutual evaluation of the effectiveness of CAR's AML/CFT regime by the relevant FATF-style regional body (GABAC) is ongoing. Results are expected by October 2023. Depending on the results, there may be a need for Fund staff to consider further actions to address CAR specific ML/TF risks and further encouraged the authorities to significantly improve compliance with FATF recommendations.

Anti-corruption

20. The adoption of the Anti-Corruption Law (*SB, second review)* establishes a solid legal framework to improve the governance of public finances and the business environment. This step increases the penalties for corruption, introduces new disclosure requirements, and strengthens the ability of CAR's prosecutor and judiciary to fight corruption. Authorities have committed to implementing these new provisions, starting with implementing regulation to operationalize the new asset declaration requirements for senior public officials (*SB, third review*).

Tokenization Law

21. On July 24, 2023, the President signed a law governing the tokenization of natural and land resources of CAR. With this law, the authorities' purported objective is to democratize access to the country's abundant land and natural resources through offering investment opportunities in these assets by tokenization using the blockchain technology though the implementation timeline is uncertain. However, this venture could pose multifaceted risks, including because of the use of the Sango crypto platform (see Country Report No. 2023/156). The authorities indicated their commitment to address those risks.

22. Risks posed by the tokenization of natural and land resources need to be mitigated. First, consistency with the CEMAC legal framework needs to be assessed as non-compliance may affect other member countries and pose risks to the Fund-supported program. The authorities have requested an opinion from the BEAC on the law's compliance with CEMAC legal and regulatory framework *(prior action)*. Second, direct involvement from the State creates fiscal risks. Thus, the authorities will prepare a fiscal risk statement on the Sango project *(SB, third review)*. Third, risks related to the use of crypto assets remain significant as an appropriate AML/CFT regulatory and supervisory framework is still lacking.

23. The authorities have committed to strengthen the operational work of the *Agence Nationale d'Investigation Financière* (ANIF, the financial intelligence unit) by addressing confidentiality, human, financial and technical resources issues (MEFP ¶32) *(SB, second review)*. In addition, the process for identifying the resources to be tokenized and their valuation is not well articulated in the law, especially for mining, which could lead to the State being defrauded given existing weaknesses in rule of law and boarder governance risks.

Mining Code

24. The authorities are committed to tabling and adopting the new mining code and the model mining agreement, along with the regulatory instruments that will govern the mining fund and the new public agencies in line with international best practices (MEFP ¶32).

PROGRAM MODALITIES, CAPACITY BUILDING, AND OTHER ISSUES

25. The authorities request waivers for non-observance of PCs. These include the end-June 2023 QPCs on primary deficit and net domestic financing. The authorities' request for waivers for nonobservance of PCs under this ECF arrangement is based on corrective actions geared towards (i) additional revenue efforts in the revised 2023 Budget Law with a particular focus on strengthening overdue-tax recoveries and fuel-import tax collection; (ii) the implementation without delay of a mechanism to monitor the compliance of QPCs on a monthly basis with a direct oversight by the Minister of Finance; (iii) a revenue-led fiscal consolidation of 1 percent of GDP to be enshrined in the 2024 Budget Law; (iv) an updated financing strategy to proactively address the lumpy maturities through 2026 while improving the tenor distribution of new regional debt issuances; and (v) improvements to the budget preparation (MEFP ¶26).

26. The authorities also request an increase in the QPC on net domestic financing for December 2023. The increase would be from CFAF 37 billion to CFAF 57 billion (Table 8) to accommodate the substantial issuance of domestic debt during the first eight months of 2023, in part explained by lumpy maturities of around CFAF 20 billion in short and medium-term debt. The request is anchored on an improvement in the debt management strategy including to build-up cash buffers (¶15). At the same time, additional domestic financing may become necessary should end-year disbursements from the World Bank or the AfDB be delayed.

27. Conditionality for 2024 will have to be reflected in the Budget Law for next year. The QPCs for 2024 (Table 8) reflect the increased collection from the revenue measures illustrated in Text Table 1, along with expenditure restraint, and a gradual reduction in domestic financing. The ceiling on spending through extraordinary procedures has been set at CFAF 8 billion by year-end 2024 while the floor on social spending has been left unchanged at CFAF 22 billion.

28. New structural benchmarks have been adopted for upcoming program reviews. Three SBs were added for the *second review:* (i) the operationalization of the cross-verification module of the new IT system and interconnection with SYDONIA World; (ii) the adoption of a new fuel pricing structure that rationalizes taxes and charges and simplifies their application; and (iii) the adoption of a plan to strengthen the financial intelligence unit. Furthermore, four SBs were added for the *third review*: (i) the issuance of a ministerial decree outlining minimal criteria for official taxpayer recognition by the tax office; (ii) the preparation of a fiscal risk statement on the Sango/tokenization project; (iii) the conduct of an audit of fuel import costs and margins; and (iv) the operationalization of the law on asset declaration.

29. The authorities request a rephasing of the program. The rephasing aims to better align disbursements with the timing of their BoP needs that have changed since the program approval. Additional BoP needs have arisen partly from increased additional external obligations related to interest payments. The proposed rephasing deviates minimally from the program request and maintains the back-loaded disbursement schedule, while providing the authorities with the needed resources to meet near-term BoP needs. Risks are mitigated by (i) the authorities' commitment to deposit the share of the disbursement to cover the obligations to the Fund for at least the upcoming 6 months in their SDR account at the IMF, and (ii) their commitment to the program objectives.

30. Safeguards. The remaining access will be deposited in the newly created escrow account at the BEAC to supplement a World Bank's operation to finance certain non-discretionary fiscal expenditures in critical service delivery areas. In line with the World Bank, the Fund disbursements will benefit from verification processes and safeguarded disbursement arrangements to limit the risk of ineligible expenditures, mitigating reputational risks for the IMF. In particular, there will be internal and external audit requirements on the usage of Fund resources (Annex III). The authorities have committed to draw from the special escrow account at BEAC only after the World Bank's first disbursement has materialized under its operation to finance certain non-discretionary fiscal expenditures.

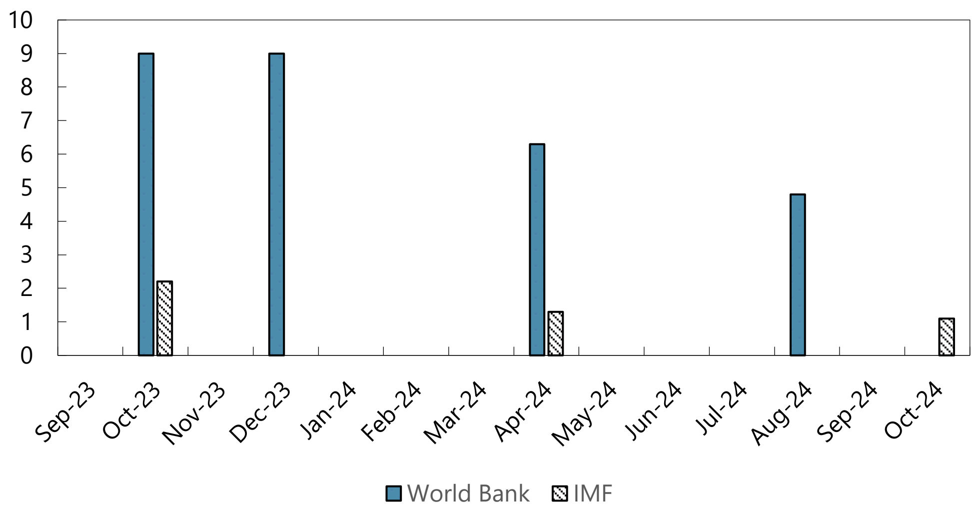
31. Regional assurances. BEAC met its end-December 2022 NFA (Net Foreign Assets) target and provided updated policy assurances in support of CEMAC countries' Fund-supported programs. Preliminary data suggest that the end-June 2023 regional policy assurance on NFA was met. A review of regional policies and policy assurances is scheduled to be discussed by the Executive Board in December 2023. Adequate policies and assurances are a condition for the conclusion of the review. The regional assurances on regional NFA are critical for the success of CAR's Fund-supported program and to help bolster the region's external sustainability.

32. Capacity to repay the Fund. Capacity to repay remains weak (Figure 3). It would only become adequate amid success of the program and prompt implementation of remediation plans to prevent further QPC breaches. Capacity to repay the Fund is subject to significant downside risks, including from a slower pace of reforms, natural disasters, deterioration in the security situation and difficulties in mobilizing fiscal revenue that could reduce debt service capacity. Risks to the capacity to repay the Fund are mitigated by several factors as spell out in the program request documents (Country Report No. 2023/155).

33. The 2022 safeguards assessment found that the BEAC maintained strong governance arrangements. Since then, an external quality assessment of internal audit is being finalized and staff is monitoring implementation of the remaining safeguards recommendations.

34. Financing assurances. While a borderline case, the program remains fully financed, with firm commitments from World Bank and AfDB for the next 12 months and good prospects thereafter. AfDB's increased its budget support from UA10 million in 2023 to UA15 million over 2023 and 2024 (i.e., about US$20 million in total, assumed to be equally split between 2023 and 2024). It is anticipated that the World Bank will make its first CFAF 9 billion-disbursement before the end of October 2023 under its operation to finance certain non-discretionary fiscal expenditures in critical service delivery areas. At the same time, AfDB is also anticipated to approve a first disbursement for CFAF 6 billion before the end of December 2023. Financing for the program does not assume resumption of bilateral budget support in the baseline.

Text Figure 4. Schedule of IMF and World Bank Financing of Certain Non-Discretionary Fiscal Expenditures in Critical Service Delivery Areas
(CFAF Billion)



Source: IMF and World Bank staff

35. The authorities should continue improving the quality and transparency of national statistics, including debt statistics.

36. CAR has accumulated arrears to Angola and OFID in addition to arrears that pre-date the Completion Point of the HIPC initiative with some non-Paris Club creditors. The authorities are in contact with creditors to find a resolution to the arrears though the process has been slow. All official bilateral creditors to which there are outstanding external arrears have consented to Fund financing notwithstanding these arrears except for Angola which has requested more time to consider consenting to Fund financing despite the arrears. An update will be circulated to the Executive Board not later than one week prior to the scheduled Board consideration. The country remains current on its remaining external debt service obligations. As required under the LIOA policy, the authorities continue to make good faith efforts, including by sharing additional information and communicating through both formal and informal channels to facilitate resolution. In terms of OFID, since it is a multilateral organization the policy of non-toleration of arrears (NTP) applies, and staff assesses there is a credible plan in place by the authorities to clear the arrears.

STAFF APPRAISAL

37. CAR economy is bouncing back from the fuel crisis of 2022. Fuel imports have markedly improved this year on the back of the authorities' efforts, especially for diesel. The reduction in fuel prices at the pump is expected to further bolster fuel imports through the formal channels. As a result, economic activities continue climbing back to closer to capacity. Improved financing conditions have also helped support public spending in the economy.

38. The outlook remains uncertain and subject to exceptionally high downside risks. Drivers of CAR's deep-rooted FCS status endure, including security risks. As a result, the socioeconomic situation continues to be precarious, with large number of internally displaced persons (IDPs) and acute food insecurity. The ongoing conflict in Sudan has exacerbated food insecurity in the north-east part of the country.

39. Performance under the program has been mixed, amid a difficult macroeconomic backdrop. While some quantitative targets have been missed, all but one structural benchmarks have been met. In addition, the passage of the anti-corruption law well ahead of the second review demonstrates the authorities' commitment to the program. Despite small spending overruns due to pressing education and security needs, the deficit target for 2023 remains within reach but would require steadfast and rigorous implementation of revenue measures as well as spending restraint. Contingency measures could be triggered later in the year if needed.

40. Decisive steps are required to bolster domestic revenue mobilization in 2024, including through the Budget Law. Consistent with the authorities' reform agenda, substantial efficiency gains in both internal tax and customs administration are within reach in 2024 with the operationalization of the new tax IT system, the deployment of new customs offices at the country's borders, and the improvements to the customs IT platform. Better oversight of tax and customs administration will help enshrine these reforms. In addition, measures to broaden the tax base in the 2024 Budget Law and to improve compliance will complement those revenue administrations reforms. The government will also continue to implement policies consistent with regional external stability, which requires the rebuilding of foreign exchange reserves at the BEAC.

41. Over the medium term, a tight fiscal stance remains necessary to safeguard debt sustainability and improve capacity to repay. The revenue-led fiscal consolidation strategy is adequate given the country's high tax potential. In the meantime, the authorities should continue to favor grants and highly concessional resources to finance much needed primary spending and infrastructure. The authorities should continue to consult closely with staff when new financing opportunities arise.

42. Macroeconomic stabilization and a successful revenue-led fiscal consolidation strategy depends critically on stable fuel imports. Continued fuel price and market reforms should foster the import through formal channels and protect revenue collection. Importantly, the authorities should prioritize investment in additional storage capacity and infrastructure to maximize the use of the Ubangi River (Annex II) beyond the current 6 months within the year.

43. A proactive medium-term debt management strategy would help mitigate rollover risks. Staff commend the authorities' active engagement with the market in the lead up to the successful syndication in August. Looking ahead, a strategy to rollover maturities in the coming years and lengthen the yield curve needs to be put in place.

44. Efforts to improve governance and fighting corruption should be sustained. Staff commend the authorities for the adoption of the anti-corruption law well ahead of the second review. Pressing ahead with implementing regulations and empowering relevant institutions will complement ongoing reforms of public financial management. In this context, progress in providing financial and institutional independence to the court of audit are also crucial.

45. Plans to tokenize natural and land resources should address related risks. Staff notes the authorities' clarification that implementing regulations would take time and resources along with their acknowledgment of the challenges to transparently identify and value natural resources, particularly in the mining sector. Staff nevertheless strongly encourages the authorities to make further efforts to avoid deterring traditional investments into the country, including by adopting targeted measures specifically aimed at mitigating fiscal and ML/TF concerns resulting from tokenization through the Sango platform.

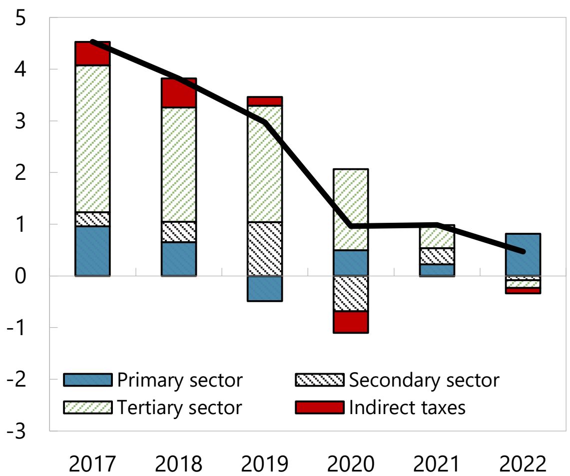
46. The authorities are urged to expedite efforts to unlock disbursements from the World Bank and the AfDB. This includes meeting the requirements established by the World Bank for financing certain non-discretionary fiscal expenditures in critical service delivery areas and concurrently the IMF's budget support for the same purpose (Text Figure 4 and Annex III). Also, the government has made progress in the completion of the audit of the pandemic-expenses requested by the AfDB though work remains before its budget support could proceed.

47. Considering the strength of the authorities' corrective actions, the implementation of the end-December 2022 regional policy assurances, commitment to prudent macroeconomic policies and structural reform agenda, staff supports the requests of waivers for non-observance of QPCs, rephasing of disbursements, the modification of the end-December QPCs, the completion of the financing assurances review and completion of the first review under the ECF-supported program. The authorities understand the importance of creditor relations and remain closely engaged with creditors to ensure obligations are current. Staff proposes that completion of the first review will be conditional on the implementation of critical policy assurances at the union level, as established in the July 2023 union-wide background paper.

Figure 1. Recent Economic Developments

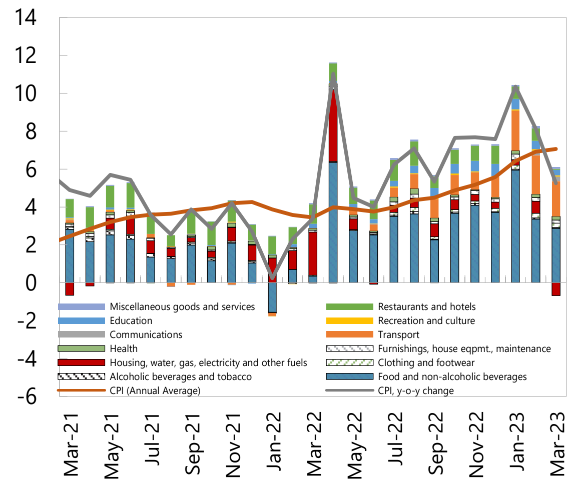
Growth decelerated in 2022 due to the fuel shortages.

Contribution to Growth
(Percent)



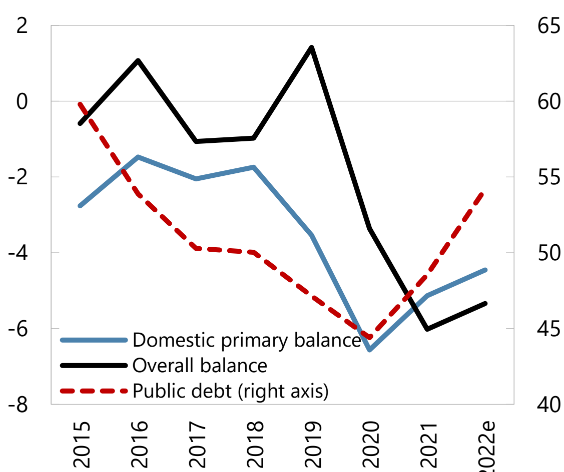
Inflation rose sharply last year on the back of a strong increase in food and fuel prices.

Contribution to Inflation
(Percent)



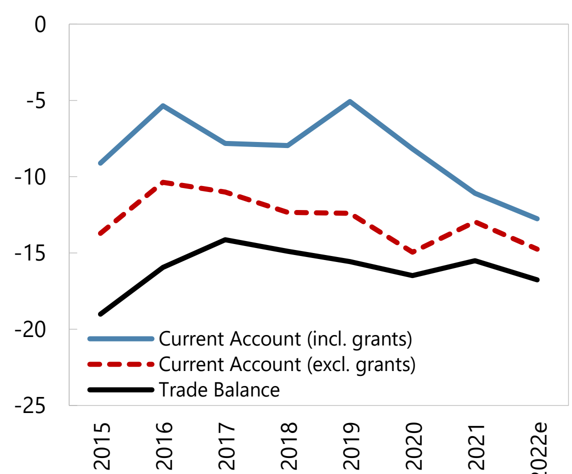
Public debt increased reflecting a weaker CFAF versus the USD, and a shift to domestic financing given budget shortfalls.

Debt and Fiscal Deficit
(Percent of GDP)



The current account deficit deteriorated in line with the large terms of trade shock and lack of budget support.

External Sector
(Percent of GDP)

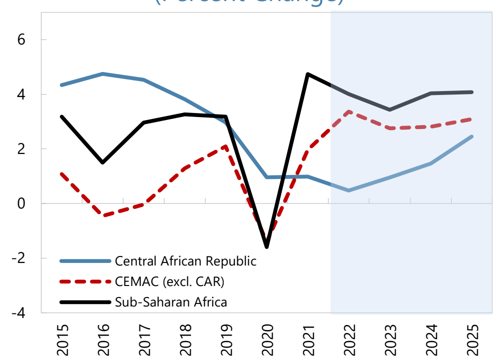


Sources: CAR authorities and IMF staff estimates

Figure 2. Medium-Term Economic Prospects, 2015–2025

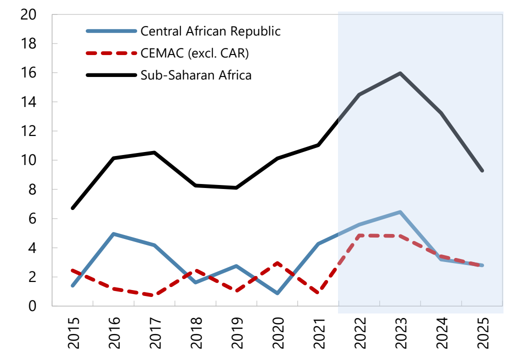
Growth should accelerate over the medium-term if fuel shortages are resolved and donor support reignited.

Real GDP
(Percent Change)



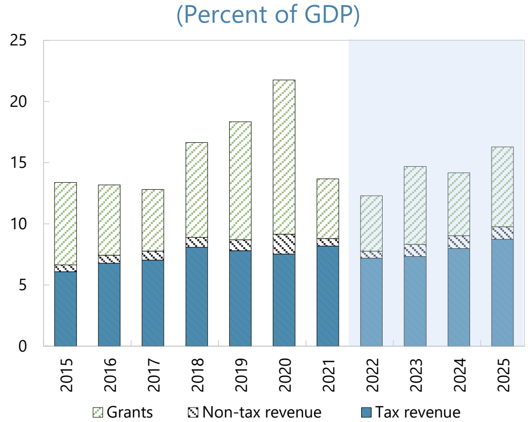
Inflation would subside owing to more stable energy prices.

CPI Average
(Percent Change)



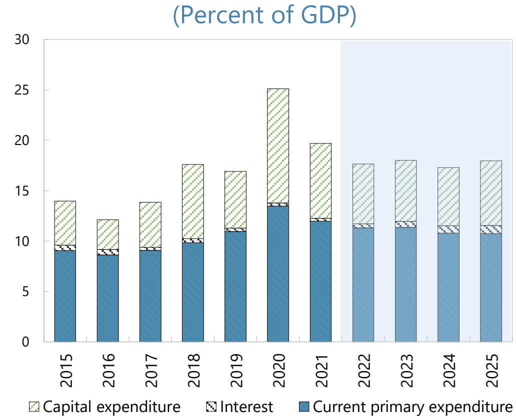
Revenue mobilization should increase in line with fiscal structural reforms and a resumption in budget support…

Government Revenue
(Percent of GDP)



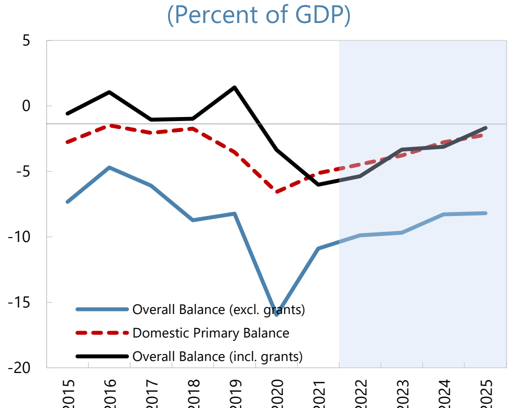
…increasing fiscal space to reallocate expenditure to favor the provision of public goods and services.

Government Expenditure
(Percent of GDP)



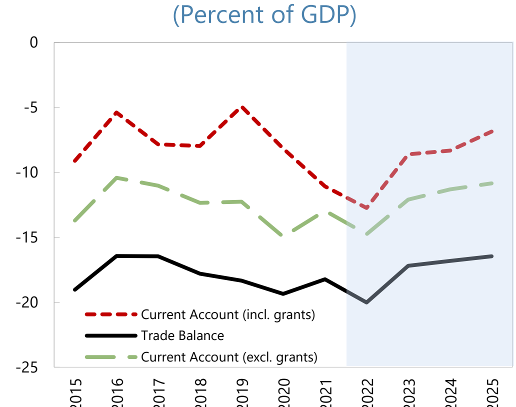
In light of the aforementioned fiscal efforts deficits would narrow…

Fiscal Position
(Percent of GDP)



…with a concomitant reduction in the current account deficit.

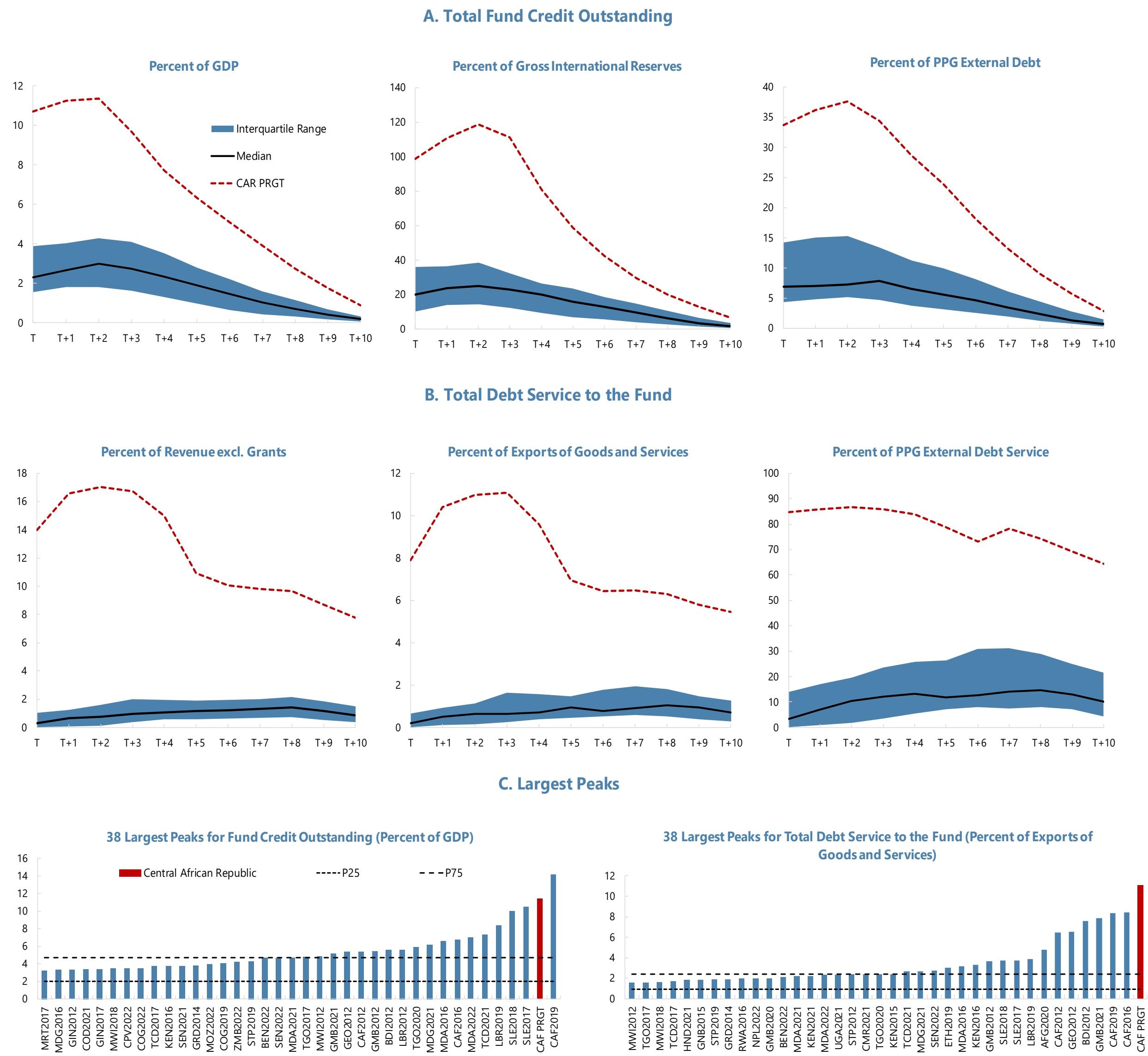
External Position
(Percent of GDP)



Sources: CAR authorities and IMF staff estimates

Figure 3. Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

(In Percent of the Indicated Variable)



Source: IMF Staff Calculations.

1) T = date of arrangement approval. PPG = public and publicly guaranteed.

2) Red lines/bars indicate the CtR indicator for the arrangement of interest.

3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2010 and 2020.

4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.

5) Comparator series is for PRGT arrangements only and runs up to T+10.

6) Debt service obligations to the Fund reflect prospective payments, including for the current year.

7) In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.

Table 1. Central African Republic: Selected Economic and Financial Indicators, 2020–2027

	2020	2021	2022	2023		2024	2025	2026	2027
	Est.	Est.	Est.	ECF Request	Proj.	Projections			
	(Annual percentage change; unless otherwise indicated)								
National income and prices									
GDP at constant prices	1.0	1.0	0.5	2.2	1.0	1.5	2.5	3.7	3.7
GDP per capita at constant prices	-0.8	-1.0	-1.5	0.2	-1.1	-0.5	0.5	1.5	1.5
GDP at current prices	2.8	4.3	6.8	9.1	7.9	6.1	5.3	6.3	6.2
GDP deflator	1.9	3.3	6.3	6.7	6.9	4.6	2.7	2.5	2.4
CPI (annual average) [1]	0.9	4.3	5.6	6.3	6.5	3.2	2.8	2.5	2.5
CPI (end-of-period)	1.8	2.7	7.6	4.4	5.5	2.8	2.7	2.1	2.6
Money and credit									
Broad money	11.5	14.6	2.5	3.6	3.6	2.9	4.5	3.1	6.4
Credit to the economy	8.5	-2.2	-1.4	8.0	13.0	7.4	5.1	0.2	4.7
External sector									
Export volume of goods	9.4	-5.3	2.6	9.0	9.0	5.2	9.0	5.4	8.9
Import volume of goods	7.4	-11.5	-5.5	6.7	7.4	7.1	8.9	5.1	8.9
Terms of trade	-16.2	1.8	-8.4	12.4	14.7	7.9	6.1	2.1	12.3
	(Percent of GDP; unless otherwise indicated)								
Gross national savings	10.7	4.6	2.1	6.7	7.0	7.5	10.1	11.9	13.9
Of which: current official transfers	5.1	0.0	0.0	1.6	1.5	1.0	2.0	3.1	3.1
Gross domestic savings	-0.5	-2.5	-5.2	-2.1	-1.6	-1.0	0.5	1.3	3.3
Government	-4.5	-3.4	-3.9	-3.1	-3.5	-2.4	-1.7	-0.7	-0.1
Private sector	4.0	0.9	-1.3	1.0	1.9	1.4	2.2	2.0	3.4
Consumption	100.5	102.5	105.2	102.1	101.6	101.0	99.5	98.7	96.7
Government	9.6	9.1	8.4	7.9	8.3	7.8	7.8	7.7	7.5
Private sector	90.9	93.4	96.8	94.2	93.3	93.2	91.7	91.0	89.2
Gross investment	18.9	15.7	14.9	15.3	15.6	15.8	16.9	17.3	18.4
Government	11.3	7.4	5.9	5.8	6.1	5.8	6.4	6.3	6.8
Private sector	7.5	8.3	8.9	9.5	9.5	10.0	10.5	11.1	11.6
External current account balance									
with grants	-8.2	-11.1	-12.8	-8.7	-8.6	-8.3	-6.9	-5.4	-4.5
without grants	-15.0	-13.0	-14.8	-12.3	-12.1	-11.3	-10.8	-10.5	-9.6
Overall balance of payments	-0.9	0.1	-7.8	-2.9	-2.6	-3.0	-1.2	0.3	2.6
Central government finance									
Total revenue (including grants)	21.8	13.7	12.3	13.8	14.7	14.2	16.3	17.9	18.0
of which: domestic revenue	9.2	8.8	7.8	7.9	8.3	9.0	9.8	10.6	10.9
Total expenditure [2]	25.1	19.7	17.6	16.8	18.0	17.3	18.0	17.7	17.9
of which: capital spending	11.3	7.4	5.9	5.8	6.1	5.8	6.4	6.3	6.8
Overall balance									
Excluding grants	-16.0	-10.9	-9.9	-8.9	-9.7	-8.3	-8.2	-7.1	-6.9
Including grants	-3.4	-6.0	-5.4	-3.0	-3.3	-3.1	-1.7	0.2	0.1
Domestic primary balance [3]	-6.6	-5.1	-4.5	-3.6	-3.8	-2.8	-2.2	-1.6	-1.4
Public sector debt [4]	44.4	48.6	54.2	50.5	52.9	53.3	52.5	48.7	45.9
Of which: domestic debt [5]	9.4	13.2	18.2	18.4	20.3	22.0	22.2	19.6	18.0
Of which: external debt	35.0	35.3	36.0	32.0	32.6	31.3	30.3	29.1	27.9
Memorandum items:									
GDP per capita (US dollars)	494	525	490	534	538	566	585	611	632
Nominal GDP (CFAF billions)	1,373	1,432	1,530	1,671	1,651	1,752	1,844	1,961	2,082

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

[1] Revision of CPI weights and transition to COICOP was performed starting from 2020. Therefore, there is a structural break in the series for 2019.

[2] Expenditure is on a cash basis.

[3] Excludes grants, interest payments, and externally-financed capital expenditures.

[4] The changes in domestic debt estimates reflect a correction of the estimates reported in the RCF' staff report tables, which had not been updated. This did not affect the debt sustainability analysis.

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

Table 2a. Central African Republic: Fiscal Operations of the Central Government, 2020–2027

(CFAF Billions)

	2020	2021	2022	2023		2024	2025	2026	2027
	Est.	Est.	Est.	ECF Request	Proj.	Projections			
Revenue	298.6	195.7	188.2	230.8	242.4	248.3	300.1	351.6	374.3
Domestic revenue	125.7	125.9	119.0	131.7	137.4	158.0	180.1	208.3	227.5
Tax revenue	103.3	117.0	110.2	115.3	121.0	139.8	160.8	184.3	200.2
Income and property tax	28.0	33.1	30.9	31.4	32.9	37.9	42.0	47.3	52.5
Taxes on goods and services	48.5	53.0	49.0	53.2	54.7	63.6	72.6	82.6	86.9
Of which : VAT	21.1	24.5	22.9	25.6	26.2	32.9	40.3	49.4	52.0
Taxes on international trade	26.8	30.9	30.1	30.7	33.4	38.4	46.3	54.4	60.7
Non-tax revenue	22.4	8.9	8.8	16.4	16.4	18.2	19.3	24.0	27.4
Grants	172.9	69.8	69.2	99.1	105.0	90.3	120.0	143.3	146.8
Program	70.1	0.0	0.0	26.5	24.0	17.1	36.6	60.0	65.0
Project	102.8	69.8	69.2	72.5	81.0	73.2	83.4	83.3	81.8
Expenditure [1]	344.7	281.9	270.0	281.1	297.3	302.9	331.2	347.3	371.8
Current primary expenditure	184.8	171.6	173.1	175.5	187.7	189.1	198.0	207.5	214.4
Wages and salaries	80.1	81.2	86.9	92.7	93.7	96.0	99.8	104.2	108.4
Transfers and subsidies	53.0	40.7	45.2	43.0	50.3	51.7	54.0	57.1	58.2
Goods and services	51.7	49.7	40.9	39.8	43.7	41.4	44.2	46.2	47.8
Interest	4.2	4.0	6.2	9.1	9.5	13.0	15.1	16.4	16.2
External	1.7	1.4	1.4	1.2	1.6	1.7	1.6	1.3	1.2
Domestic	2.6	2.6	4.8	7.9	7.9	11.3	13.5	15.1	14.9
Capital expenditure	155.7	106.3	90.7	96.5	100.0	100.8	118.1	123.4	141.2
Domestically financed	31.0	27.7	14.0	16.4	12.0	17.6	22.8	31.5	41.7
Externally financed	124.7	78.6	76.7	80.0	88.0	83.2	95.3	91.9	99.5
Overall balance									
Excluding grants	-219.1	-156.0	-151.2	-149.3	-159.9	-145.0	-151.2	-139.0	-144.3
Of which: domestic primary balance [2]	-90.1	-73.5	-68.1	-60.2	-62.3	-48.7	-40.7	-30.7	-28.6
Including grants	-46.1	-86.2	-81.8	-50.3	-54.9	-54.6	-31.1	4.3	2.5
Primary balance	-41.9	-82.3	-75.6	-41.2	-45.4	-41.6	-16.0	20.7	18.7
Net change in arrears ((-) = reduction)	-14.4	-11.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-14.4	-11.4	0.0	0.0	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
Errors and omissions	-1.5	-0.9	-7.4	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-62.0	-98.5	-89.2	-50.3	-54.9	-54.6	-31.1	4.3	2.5
Identified financing	62.0	98.5	89.2	50.2	54.9	54.6	31.1	-4.3	-2.5
External, net	18.6	5.3	0.5	3.6	0.5	3.3	4.5	15.8	39.8
Project loans	21.9	8.8	7.5	7.5	7.0	10.0	11.8	8.6	17.7
Program loans [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0	30.0
Amortization	-5.4	-5.6	-6.3	-2.8	-5.3	-5.6	-6.9	-7.3	-7.5
Exceptional financing (DSSI)	2.1	2.2	-0.7	-1.1	-1.1	-1.1	-0.4	-0.4	-0.4
Domestic, net	43.4	93.2	88.7	46.6	54.4	51.3	26.6	-20.1	-42.3
Banking system	38.7	87.9	84.7	46.6	52.5	51.3	26.6	-20.1	-42.3
BEAC	41.8	60.9	53.0	8.5	-3.9	0.5	0.6	2.0	-33.8
Loans	-1.7	0.4	0.0	0.0	0.0	0.0	-2.2	-2.2	-2.2
Use of SDR allocation	0.0	35.0	50.5	0.0	0.6	0.0	0.0	0.0	0.0
Counterpart to IMF credits (BEAC)	27.0	14.2	-1.7	12.3	-2.0	2.4	2.2	1.1	-33.4
Deposit withdrawals	16.5	11.3	4.3	-3.8	-2.5	-1.9	0.6	3.1	1.8
Commercial banks	-3.1	27.0	31.7	38.2	56.4	50.8	26.0	-22.1	-8.5
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing (CCRT) [4]	4.7	3.5	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts and others	0.0	1.8	1.8	0.0	1.9	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Primary Spending	215.8	199.3	187.1	191.9	199.7	206.7	220.8	239.0	256.1
Total government debt	609.5	695.2	829.3	843.2	872.7	933.6	968.8	955.8	956.3
Government domestic currency debt [5]	129.3	189.6	278.9	307.9	334.9	385.7	409.5	385.2	374.5
Nominal GDP	1,373	1,432	1,530	1,671	1,651	1,752	1,844	1,961	2,082

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 2026 onward.

[4] This covers debt service relief covering all payments falling due to the IMF from April 14, 2020 to April 13, 2022 under the Catastrophe Containment and Relief Trust (CCRT)

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

Table 2b. Central African Republic: Central Government Financial Operations, 2020–2027

(Percent GDP)

	2020	2021	2022	2023		2024	2025	2026	2027
	Est.	Est.	Est.	ECF Request	Proj.	Projections			
Revenues	21.8	13.7	12.3	13.8	14.7	14.2	16.3	17.9	18.0
Domestic revenue	9.2	8.8	7.8	7.9	8.3	9.0	9.8	10.6	10.9
Tax revenue	7.5	8.2	7.2	6.9	7.3	8.0	8.7	9.4	9.6
Income and property tax	2.0	2.3	2.0	1.9	2.0	2.2	2.3	2.4	2.5
Taxes on goods and services	3.5	3.7	3.2	3.2	3.3	3.6	3.9	4.2	4.2
Of which: VAT	1.5	1.7	1.5	1.5	1.6	1.9	2.2	2.5	2.5
Taxes on international trade	2.0	2.2	2.0	1.8	2.0	2.2	2.5	2.8	2.9
Non-tax revenue	1.6	0.6	0.6	1.0	1.0	1.0	1.0	1.2	1.3
Grants	12.6	4.9	4.5	5.9	6.4	5.2	6.5	7.3	7.1
Program	5.1	0.0	0.0	1.6	1.5	1.0	2.0	3.1	3.1
Project	7.5	4.9	4.5	4.3	4.9	4.2	4.5	4.2	3.9
Expenditure [1]	25.1	19.7	17.6	16.8	18.0	17.3	18.0	17.7	17.9
Current primary expenditure	13.5	12.0	11.3	10.5	11.4	10.8	10.7	10.6	10.3
Wages and salaries	5.8	5.7	5.7	5.5	5.7	5.5	5.4	5.3	5.2
Transfers and subsidies	3.9	2.8	3.0	2.6	3.0	3.0	2.9	2.9	2.8
Goods and services	3.8	3.5	2.7	2.4	2.6	2.4	2.4	2.4	2.3
Interest	0.3	0.3	0.4	0.5	0.6	0.7	0.8	0.8	0.8
External	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Domestic	0.2	0.2	0.3	0.5	0.5	0.6	0.7	0.8	0.7
Capital expenditure	11.3	7.4	5.9	5.8	6.1	5.8	6.4	6.3	6.8
Domestically financed	2.3	1.9	0.9	1.0	0.7	1.0	1.2	1.6	2.0
Externally financed	9.1	5.5	5.0	4.8	5.3	4.8	5.2	4.7	4.8
Overall balance									
Excluding grants	-16.0	-10.9	-9.9	-8.9	-9.7	-8.3	-8.2	-7.1	-6.9
Of which: domestic primary balance [2]	-6.6	-5.1	-4.5	-3.6	-3.8	-2.8	-2.2	-1.6	-1.4
Including grants	-3.4	-6.0	-5.3	-3.0	-3.3	-3.1	-1.7	0.2	0.1
Net change in arrears ((-) = reduction)	-1.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-1.0	-0.8	0.0	0.0	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
Errors and omissions	-0.1	-0.1	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-4.5	-6.9	-5.8	-3.0	-3.3	-3.1	-1.7	0.2	0.1
Identified financing	4.5	6.9	5.8	3.0	3.3	3.1	1.7	-0.2	-0.1
External, net	1.4	0.4	0.0	0.2	0.0	0.2	0.2	0.8	1.9
Project loans	1.6	0.6	0.5	0.4	0.4	0.6	0.6	0.4	0.9
Program loans [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.4
Amortization	-0.4	-0.4	-0.4	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4
Exceptional financing (DSSI)	0.1	0.2	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0
Domestic, net	3.2	6.5	5.8	2.8	3.3	2.9	1.4	-1.0	-2.0
Banking system	2.8	6.1	5.5	2.8	3.2	2.9	1.4	-1.0	-2.0
BEAC	3.0	4.3	3.5	0.5	-0.2	0.0	0.0	0.1	-1.6
Loans	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
Use of SDR allocation	0.0	2.4	3.3	0.0	0.0	0.0	0.0	0.0	0.0
Counterpart to IMF credits (BEAC)	2.0	1.0	-0.1	0.7	-0.1	0.1	0.1	0.1	-1.6
Deposit withdrawals	1.2	0.8	0.3	-0.2	-0.2	-0.1	0.0	0.2	0.1
Commercial banks	-0.2	1.9	2.1	2.3	3.4	2.9	1.4	-1.1	-0.4
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing (CCRT) [4]	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts and Others	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Primary Spending	15.7	13.9	12.2	11.5	12.1	11.8	12.0	12.2	12.3
Total government debt	44.4	48.6	54.2	50.5	52.9	53.3	52.5	48.7	45.9
Government domestic debt [5]	9.4	13.2	18.2	18.4	20.3	22.0	22.2	19.6	18.0

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 2024 onward

[4] This covers debt service relief covering all payments falling due to the IMF from April 14, 2020 to April 13, 2022 under the Catastrophe Containment and Relief Trust (CCRT)

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

Table 3. Central African Republic: Monetary Accounts, 2020–2027
(CFAF Billions, unless otherwise indicated)

	2020	2021	2022	2023					2024	2025	2026	2027
				Q1	Q2	Q3	Q4	Q4				
	Est.	Est.	Est.	Proj.	Proj.	Proj.	Proj.	ECF Request	Projections			
	(CFAF billions, unless otherwise indicated)											
Net foreign assets	88.7	72.0	-19.4	-26.1	-34.1	-42.8	-43.5	-65.0	-86.2	-96.6	-90.9	-26.4
Bank of Central African States (BEAC)	49.2	-11.1	-105.5	-114.0	-123.7	-134.1	-136.5	-159.0	-184.8	-200.4	-201.3	-143.6
Foreign Assets	242.5	291.9	200.0	191.6	181.9	171.5	167.1	158.8	121.1	107.8	107.9	132.2
Foreign Liabilities	193.3	303.0	305.5	305.5	305.5	305.5	303.5	317.8	305.9	308.1	309.2	275.8
SDR allocation	41.4	130.0	137.9	137.9	137.9	137.9	137.9	137.9	137.9	137.9	137.9	130.8
Use of IMF credit	150.2	170.6	168.8	168.8	168.8	168.8	166.8	181.1	169.2	171.4	172.5	139.1
Other foreign liabilities	1.7	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Commercial banks	39.5	83.0	86.1	87.8	89.5	91.3	93.0	94.0	98.6	103.8	110.4	117.2
Net domestic assets	327.7	405.1	508.3	522.6	538.9	550.5	550.2	571.4	607.8	641.7	653.1	624.3
Domestic credit	436.5	522.9	605.2	597.7	629.6	653.7	679.8	669.2	745.3	782.5	762.8	730.8
Credit to the public sector	260.7	351.0	435.7	430.9	465.0	474.8	488.2	482.3	539.5	566.1	546.0	503.7
Credit to central government (net)	260.7	351.0	435.7	430.9	465.0	474.8	488.2	482.3	539.5	566.1	546.0	503.7
BEAC	252.9	313.5	366.5	364.5	361.9	362.9	362.6	375.0	363.1	363.7	365.7	331.9
Loans	114.7	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	112.8	110.7	108.5
Use of SDR allocation	0.0	35.0	85.5	85.5	85.5	85.5	86.1	85.5	86.1	86.1	86.1	86.1
IMF credit (net)	150.2	170.6	168.8	168.8	168.8	168.8	166.8	181.1	169.2	171.4	172.5	139.1
Deposits	-12.0	-7.1	-2.8	-4.8	-7.4	-6.4	-5.3	-6.6	-7.2	-6.7	-3.6	-1.8
Commercial banks	7.8	37.5	69.2	66.4	103.1	111.9	125.6	107.4	176.4	202.4	180.3	171.8
Credit to the economy	175.8	171.9	169.5	166.8	164.6	178.9	191.7	186.9	205.8	216.4	216.8	227.1
Public enterprises	8.5	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
Private sector	167.3	160.1	157.7	155.0	152.7	167.0	179.8	175.1	194.0	204.5	205.0	215.3
Other items (net)	-108.8	-117.9	-96.9	-75.1	-90.7	-103.2	-129.6	-97.8	-137.5	-140.7	-109.7	-106.4
Money and quasi-money	416.4	477.1	488.9	496.5	504.8	507.7	506.7	506.4	521.6	545.2	562.2	597.9
Currency	210.5	239.1	254.8	258.8	257.0	262.1	266.1	263.0	272.3	296.6	301.4	314.1
Deposits	205.9	238.0	234.1	237.7	247.8	245.6	240.7	243.4	249.3	248.5	260.8	283.9
Demand deposits	137.9	163.3	158.8	160.9	169.5	165.8	159.3	161.2	163.1	175.6	176.8	187.7
Term and savings deposits	67.9	74.7	75.3	76.8	78.3	79.8	81.3	82.2	86.3	72.9	84.0	96.2
	(Annual percentage change)											
Net foreign assets	-0.9	-18.9	-126.9	35.0	76.2	121.1	124.8	185.8	98.0	12.1	-5.9	-70.9
Net domestic assets	15.4	23.6	25.5	2.8	6.0	8.3	8.3	11.7	10.5	5.6	1.8	-4.4
Monetary base	20.7	2.5	6.8	19.8	18.6	18.0	7.9	9.1	6.1	5.3	6.3	6.2
Credit to the economy	8.5	-2.2	-1.4	-1.6	-2.9	5.5	13.0	8.0	7.4	5.1	0.2	4.7
Public enterprises	93.8	39.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	6.1	-4.3	-1.5	-1.7	-3.1	5.9	14.0	8.6	7.9	5.4	0.2	5.0
Memorandum items:												
NDA of the central bank (CFAF billions)	225.5	292.6	406.2	426.6	442.3	455.7	461.1	487.4	529.2	562.9	586.8	553.0
Monetary base (CFAF billions)	274.7	281.5	300.7	312.7	318.6	321.6	324.6	328.3	344.4	362.5	385.5	409.3
Nominal GDP (CFAF billions)	1373	1432	1530	…	…	…	1651	1671	1752	1844	1961	2082
Velocity (GDP/broad money)												
End of period	3.3	3.0	3.1	…	…	…	3.3	3.3	3.4	3.4	3.5	3.5

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

Table 4a. Central African Republic: Balance of Payments, 2020–2027

(CFAF Billions)

	2020	2021	2022	2023		2024	2025	2026	2027
	Est.	Est.	Est.	ECF Request	Proj.	Projections			
Current account	-112.1	-158.7	-195.1	-144.7	-142.3	-145.9	-126.5	-106.2	-92.9
Balance on goods	-226.3	-221.9	-257.1	-245.1	-236.1	-235.5	-243.6	-261.4	-255.4
Exports, f.o.b.	82.7	91.4	104.9	120.4	120.2	131.3	149.3	166.6	198.1
of which: Diamonds	3.8	6.9	9.6	13.8	13.8	19.7	26.0	31.4	35.9
of which: Wood products	50.6	48.3	47.8	54.6	54.6	56.6	63.9	69.7	91.6
Imports, f.o.b.	-309.0	-313.3	-362.0	-365.6	-356.3	-366.8	-392.9	-427.9	-453.6
of which: Petroleum products	-66.3	-88.0	-107.3	-89.8	-84.5	-85.8	-86.7	-88.4	-92.0
Services (net)	-39.3	-39.2	-49.0	-46.5	-47.8	-59.0	-59.7	-53.0	-58.6
Credit	108.9	104.7	105.2	118.1	116.7	116.7	138.9	150.0	158.6
Debit	-148.2	-143.9	-154.2	-164.6	-164.6	-175.7	-198.7	-203.1	-217.2
Income (net)	-1.6	-1.2	-1.9	-4.5	-6.8	-7.5	-5.8	-5.8	-5.8
Credit	13.1	13.2	13.3	13.5	13.4	13.6	14.2	14.7	15.2
Debit	-14.7	-14.4	-15.2	-18.0	-20.1	-21.0	-19.9	-20.4	-21.0
Transfers (net)	155.1	103.6	113.0	151.3	148.3	156.1	182.6	213.9	227.0
Private	62.0	76.8	82.3	90.9	91.0	103.7	109.2	114.9	120.8
Official	93.1	26.9	30.7	60.5	57.3	52.4	73.4	99.1	106.2
of which: Program	70.1	0.0	0.0	26.5	24.0	17.1	36.6	60.0	65.0
Capital account	102.8	69.8	69.2	72.5	81.0	73.2	83.4	82.5	81.8
Project grants	102.8	69.8	69.2	72.5	81.0	73.2	83.4	82.5	81.8
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-2.5	89.7	6.2	23.2	19.0	19.4	20.9	29.5	64.3
Direct investment	1.0	3.0	15.0	23.5	23.5	24.5	25.5	28.0	33.9
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	-3.5	86.7	-8.8	-0.3	-4.5	-5.1	-4.6	1.5	30.4
Public sector (net)	16.5	91.7	1.2	4.7	0.5	-0.1	0.4	11.5	35.4
Project disbursement	21.9	8.8	7.5	7.5	7.0	10.0	11.8	8.6	17.7
Program disbursement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0	30.0
Scheduled amortization	-5.4	-5.6	-6.3	-2.8	-6.5	-10.1	-11.4	-12.1	-12.3
Monetary authorities (SDR allocation)	0.0	88.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other short-term flows	-20.0	-5.0	-10.0	-5.0	-5.0	-5.0	-5.0	-10.0	-5.0
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-11.8	0.8	-119.6	-49.0	-42.3	-53.2	-22.1	5.8	53.2
Identified financing	11.7	-89.3	119.6	49.0	42.3	53.2	22.1	-6.6	-53.2
Net IMF credit	27.0	14.2	-1.7	12.3	10.5	8.4	9.1	-5.2	-28.5
IMF purchase	-31.8	-18.8	0.0	-23.5	-24.5	-29.0	-35.5	-24.4	0.0
IMF repurchase	4.9	4.6	1.7	11.2	14.1	20.6	26.3	29.6	28.5
Other reserves (increase = -)	-22.0	-109.3	119.8	37.8	33.0	45.9	13.4	-0.2	-24.3
Exceptional financing	6.7	5.7	1.5	-1.1	-1.1	-1.1	-0.4	-1.2	-0.4
Debt rescheduling (DSSI)	2.1	2.2	-0.7	-1.1	-1.1	-1.1	-0.4	-0.4	-0.4
Other exceptional financing (CCRT) [1]	4.7	3.5	2.2	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
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Terms of trade (percent change)	-16.2	1.8	-8.4	12.4	14.7	7.9	6.1	2.1	12.3
Unit price of exports	-19.6	16.7	11.9	5.3	5.1	3.8	4.4	5.8	9.3
Unit price of imports	-4.1	14.6	22.2	-6.3	-8.3	-3.9	-1.6	3.6	-2.7
Current account (percent of GDP)	-8.2	-11.1	-12.8	-8.7	-8.6	-8.3	-6.9	-5.4	-4.5
Capital account (percent of GDP)	7.5	4.9	4.5	4.3	4.9	4.2	4.5	4.2	3.9
Nominal GDP (CFAF billions)	1,373	1,432	1,530	1,671	1,651	1,752	1,844	1,961	2,082

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

[1] This covers debt service relief covering all payments falling due to the IMF from April 14, 2020 to April 13, 2022 under Catastrophe Containment and Relief Trust (CCRT).

Table 4b. Central African Republic: Balance of Payments, 2020–2027
(Percent GDP)

	2020	2021	2022	2023		2024	2025	2026	2027
	Est.	Est.	Est.	ECF Request	Proj.	Projections			
Current account	-8.2	-11.1	-12.8	-8.7	-8.6	-8.3	-6.9	-5.4	-4.5
Balance on goods	-16.5	-15.5	-16.8	-14.7	-14.3	-13.4	-13.2	-13.3	-12.3
Exports, f.o.b.	6.0	6.4	6.9	7.2	7.3	7.5	8.1	8.5	9.5
of which: Diamonds	0.3	0.5	0.6	0.8	0.8	1.1	1.4	1.6	1.7
of which: Wood products	3.7	3.4	3.1	3.3	3.3	3.2	3.5	3.6	4.4
Imports, f.o.b.	-22.5	-21.9	-23.7	-21.9	-21.6	-20.9	-21.3	-21.8	-21.8
of which: Petroleum products	-4.8	-6.1	-7.0	-5.4	-5.1	-4.9	-4.7	-4.5	-4.4
Services (net)	-2.9	-2.7	-3.2	-2.8	-2.9	-3.4	-3.2	-2.7	-2.8
Credit	7.9	7.3	6.9	7.1	7.1	6.7	7.5	7.7	7.6
Debit	-10.8	-10.1	-10.1	-9.8	-10.0	-10.0	-10.8	-10.4	-10.4
Income (net)	-0.1	-0.1	-0.1	-0.3	-0.4	-0.4	-0.3	-0.3	-0.3
Credit	1.0	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.7
Debit	-1.1	-1.0	-1.0	-1.1	-1.2	-1.2	-1.1	-1.0	-1.0
Transfers (net)	11.3	7.2	7.4	9.1	9.0	8.9	9.9	10.9	10.9
Private	4.5	5.4	5.4	5.4	5.5	5.9	5.9	5.9	5.8
Official	6.8	1.9	2.0	3.6	3.5	3.0	4.0	5.1	5.1
of which: Program	5.1	0.0	0.0	1.6	1.5	1.0	2.0	3.1	3.1
Capital account	7.5	4.9	4.5	4.3	4.9	4.2	4.5	4.2	3.9
Project grants	7.5	4.9	4.5	4.3	4.9	4.2	4.5	4.2	3.9
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-0.2	6.3	0.4	1.4	1.2	1.1	1.1	1.5	3.1
Direct investment	0.1	0.2	1.0	1.4	1.4	1.4	1.4	1.4	1.6
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	-0.3	6.1	-0.6	0.0	-0.3	-0.3	-0.2	0.1	1.5
Public sector (net)	1.2	6.4	0.1	0.3	0.0	0.0	0.0	0.6	1.7
Project disbursement	1.6	0.6	0.5	0.4	0.4	0.6	0.6	0.4	0.9
Program disbursement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.4
Scheduled amortization	-0.4	-0.4	-0.4	-0.2	-0.4	-0.6	-0.6	-0.6	-0.6
Other short-term flows	-1.5	-0.3	-0.7	-0.3	-0.3	-0.3	-0.3	-0.5	-0.2
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.9	0.1	-7.8	-2.9	-2.6	-3.0	-1.2	0.3	2.6
Identified financing	0.9	-6.2	7.8	2.9	2.6	3.0	1.2	-0.3	-2.6
Net IMF credit	2.0	1.0	-0.1	0.7	0.6	0.5	0.5	-0.3	-1.4
IMF purchase	-2.3	-1.3	0.0	-1.4	-1.5	-1.7	-1.9	-1.2	0.0
IMF repurchase	0.4	0.3	0.1	0.7	0.9	1.2	1.4	1.5	1.4
Other reserves (increase = -)	-1.6	-7.6	7.8	2.3	2.0	2.6	0.7	0.0	-1.2
Exceptional financing	0.5	0.4	0.1	-0.1	-0.1	-0.1	0.0	-0.1	0.0
Debt rescheduling (DSSI)	0.1	0.2	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0
Other exceptional financing (CCRT) [1]	0.3	0.2	0.1	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
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Terms of trade (percent change)	-16.2	1.8	-8.4	12.4	14.7	7.9	6.1	2.1	12.3
Unit price of exports	-1.4	1.2	0.8	0.3	0.3	0.2	0.2	0.3	0.4
Unit price of imports	-0.3	1.0	1.5	-0.4	-0.5	-0.2	-0.1	0.2	-0.1
Nominal GDP (CFAF billions)	1,373	1,432	1,530	1,671	1,651	1,752	1,844	1,961	2,082

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

[1] This covers debt service relief covering all payments falling due to the IMF from April 14, 2020 to April 13, 2022 under Catastrophe Containment and Relief Trust (CCRT).

Table 5. Central African Republic: External Financing Requirements, 2020–2027
(CFAF Billions)

	2020	2021	2022	2023		2024	2025	2026	2027
	Est.	Est.	Est.	ECF Request	Proj.	Projections			
1. Total financing requirements	214.5	278.2	83.3	147.5	153.9	147.7	187.5	208.1	223.0
Current account deficit (excl. budget support)	182.2	158.7	195.1	171.3	166.3	163.0	163.1	166.2	157.9
Debt amortization	5.4	5.6	6.3	2.8	6.5	10.1	11.4	12.1	12.3
Repayment to the Fund	4.9	4.6	1.7	11.2	14.1	20.6	26.3	29.6	28.5
Change in other reserves	22.0	109.3	-119.8	-37.8	-33.0	-45.9	-13.4	0.2	24.3
2. Total available financing	105.7	165.1	81.7	98.5	106.5	102.7	115.8	110.1	129.4
Capital transfers	102.8	69.8	69.2	72.5	81.0	73.2	83.4	82.5	81.8
Foreign direct investment (net)	1.0	3.0	15.0	23.5	23.5	24.5	25.5	28.0	33.9
Portfolio investment (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
Debt financing	21.9	8.8	7.5	7.5	7.0	10.0	11.8	8.6	17.7
Public Sector	21.9	8.8	7.5	7.5	7.0	10.0	11.8	8.6	17.7
SDR allocation	0.0	88.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other net capital inflows	-20.0	-5.0	-10.0	-5.0	-5.0	-5.0	-5.0	-10.0	-5.0
3. Financing gap	108.8	113.1	1.5	48.9	47.4	45.0	71.7	98.0	93.6
4. Expected sources of financing	70.1	0.0	0.0	26.5	24.0	17.1	36.6	75.0	95.0
of which: Budget support (grants)[1]	70.1	0.0	0.0	26.5	24.0	17.1	36.6	60.0	65.0
of which: Budget support (loans)[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0	30.0
5. Residual financing gap	38.6	113.1	1.5	22.4	23.4	27.9	35.1	23.0	-1.4
ECF arrangement	9.6	18.8	0.0	23.5	24.5	29.0	35.5	24.4	0.0
RCF	22.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CCRT[3]	4.7	3.5	2.2	0.0	0.0	0.0	0.0	0.0	0.0
G20 DSSI[4]	2.1	2.2	-0.7	-1.1	-1.1	-1.1	-0.4	-0.4	-0.4
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: IMF staff projections.

[1] Good prospects for the World Bank financing exist for the remainder of the program period provided that CAR demonstrate satisfactory performance under IMF and WB operations, that reforms are progressing, and the country addresses concerns about the use of budgetary resources for security arrangements that led to stopping budget support.

[2] Budget support loans to be identified.

[3] This covers debt service relief covering all payments falling due to the IMF from April 14, 2020 to April 13, 2022 under the Catastrophe Containment and Relief Trust (CCRT)

[4] Under the G20 Debt Service Suspension Initiative (DSSI), debt service payments to G20 creditors due from May-December 2021 are postponed to 2022-28.

Table 6. Central African Republic: Financial Soundness Indicators, 2015–2022
(In Percent)

Concept	2015	2016	2017	2018	2019	2020	2021	2022
Capital Adequacy								
Total bank regulatory capital to risk-weighted assets	38.7	32.0	34.3	28.5	30.3	23.9	21.0	23.5
Total capital (net worth) to assets	18.1	16.1	17.7	15.1	15.9	13.8	13.9	13.2
Asset Quality								
Non-performing loans to total loans	31.3	26.2	25.1	17.6	16.1	17.5	13.9	12.4
Non-performing loans net of provision to capital	40.1	24.2	8.2	6.2	14.6	12.9	10.7	12.8
Earnings and Profitability								
Net income to average assets (ROA)	-1.1	0.2	0.7	1.7	1.7	0.0	0.6	1.1
Net income to average capital (ROE)	-6.4	0.3	3.0	6.9	7.6	0.1	4.3	8.2
Non interest expense to gross income	77.8	81.3	85.2	90.5	78.9	71.5	82.2	....
Liquidity								
Liquid assets to total assets	40.0	31.9	30.7	29.9	26.3	32.2	26.9	26.4
Liquid assets to short-term liabilities	276.1	219.6	227.4	198.6	165.8	202.0	162.2	151.8

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

Table 7. Central African Republic: Proposed Access and Phasing Under the ECF Arrangement
(Includes Rephasing)

Condition for Disbursement	Date	Amount of Disbursement	
		Millions of SDR	Percent of quota
First disbursement upon program approval	April 28, 2023	SDR 11.30 million	10.14
Second disbursement upon observance of the performance criteria for June 30, 2023 and the continuous performance criteria, and the completion of the first review.	October 30, 2023	SDR 19.17 million	17.21
Third disbursement upon observance of the performance criteria for December 31, 2023 and the continuous performance criteria, and the completion of the second review.	April 30, 2024	SDR 17.15 million	15.40
Fourth disbursement upon observance of the performance criteria for June 30, 2024 and the continuous performance criteria, and the completion of the third review.	October 30, 2024	SDR 19.15million	17.19
Fifth disbursement upon observance of the performance criteria for December 31, 2024 and the continuous performance criteria, and the completion of the fourth review.	April 30, 2025	SDR 22.62 million	20.31
Sixth disbursement upon observance of the performance criteria for June 30, 2025 and the continuous performance criteria, and the completion of the fifth review.	October 30, 2025	SDR 21.74 million	19.51
Seventh disbursement upon observance of the performance criteria for December 31, 2025 and the continuous performance criteria, and the completion of the sixth review.	April 30, 2026	SDR 30.55 million	27.42
Total		SDR 141.68 million	127.18

Note: CAR's quota is SDR 111.4 million

Table 8. Central African Republic: Quantitative Performance Criteria and Indicative Targets, 2023–24

(CFAF Billions; Cumulative from Beginning of the Year, unless otherwise specified)

	End-March 2023			End-June 2023				End-September 2023	End-December 2023		End-March 2024	End-June 2024	End-September 2024	End-December 2024
	IT	Actual	Status	PC	Adjusted Target[6]	Actual	Status	IT	PC (Current)	PC (Proposed)	IT	PC	IT	PC
Quantitative performance criteria														
Net domestic financing of the government (ceiling, cumulative flows for the year)	19.0	16.8	Met	11.0	29.0	37.2	Not met	28.0	37.0	57.0	18.0	30.0	40.0	55.0
Domestic government revenue (floor, cumulative for the year) [1]	30.0	30.2	Met	62.0	--	67.4	Met	96.0	130.0	130.0	34.0	75.0	115.0	155.0
Domestic primary fiscal balance (floor, cumulative for the year)[2]	-12.0	-11.0	Met	-24.0	--	-26.5	Not met	-35.0	-64.0	-64.0	-13.0	-22.0	-33.0	-50.0
Continuous performance criteria														
New external debt contracted or garanteed by the Government (ceiling, cumulative from January 1, 2023) [3,4]	0.0	0.0	Met	0.0	--	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disbursement of external nonconcessional debt (ceiling, cumulative from January 1, 2023) [3,4]	0.0	0.0	Met	0.0	--	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non accumulation of new external payments arrears by the government (ceiling, cumulative for the year)[3,4]	0.0	0.0	Met	0.0	--	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets														
Social spending (floor, cumulative for the year)[5]	2.5	1.1	Not met	8.0	--	4.5	Not met	17.0	22.0	22.0	4.0	8.0	17.0	22.0
Spending using extraordinary procedures (ceiling, cumulative for the year)	1.5	1.6	Not met	2.5	--	6.6	Not met	4.0	5.0	5.0	2.0	5.0	7.0	8.0
New external concessional debt contracted or guaranteed by the government (ceiling, cumulative for the year)	20.0	0.0	Met	20.0	--	0.0	Met	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Memorandum items:														
Budget support	0.0	0.0		18.0	--	0.0		18.0	26.6	24.0	0.0	6.3	11.1	17.1
Privatization receipts	0.0	1.9		0.0	--	1.9		0.0	0.0	1.9	0.0	0.0	0.0	0.0

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

[1] Domestic revenue, which excludes foreign grants and divestiture receipts.
[2] The domestic primary balance is defined as the difference between government domestic revenue and government total expenditure, less all interest payments and externally-financed capital expenditure.
[3] These objectives will be monitored continuously.
[4] Contracted or guaranteed by the government.
[5] Social spending is defined as domestically financed public non-wage spending on primary and secondary education, health, social action, water and sanitation, microfinance, agriculture and rural development.
[6] The ceiling on net domestic government financing as of end-June 2023 was adjusted-up to reflect the delay of the budgetary support from the World Bank originally anticipated for 2023Q2.

Table 9. Central African Republic: Prior Action and Structural Benchmarks

Program Objectives	Proposed Structural Benchmarks	Macroeconomic Rationale	Timeline	Status
Prior action	Request an expedited written opinion from BEAC on the consistency of the Tokenization Law no. 23-010 of July 24, 2023 with the CEMAC legal and regulatory framework, including the exclusive use of the Sango Coin and Bitcoin as the sole payment instrument for the transactions of tokenized assets through the Sango platform (Article 18) and the repatriation of benefits (Article 8).	Protect macrofinancial stability in CAR and the CEMAC	Five days before the board date for the **first** review	[Proposed,Met]
Improve revenue collection	Operationalize key functions of the new IT system for domestic revenues, including online registration, online declaration and electronic payments.	Improve revenue collection	SB **first** review (October 2023)	Met
	Address fuel shortages and stabilize government revenues by: (i) calculating the hydrocarbon price structure while respecting the tax rates* and quasi-taxes** defined in the tax code, the finance law, and the CEMAC directives; and (ii) signing an inter-ministerial decree with the new hydrocarbon prices in line with IMF TA recommendations on fuel prices.	Improve transparency and revenue collection	SB **first** review (October 2023)	Met
	Transfer to the TSA all the funds collected directly by the ministries in exchange for services provided to users	Improve revenue collection	SB **second** review (April 2024)	In progress
	Operationalize the cross-verification module of the new DGID IT system and interconnection with the customs computer system (Sydonia World).	Improve revenue collection	SB **second** review (April 2024)	Proposed
	Issue a ministerial decree outlining minimal criteria for official taxpayer recognition by the tax office.	Improve revenue collection	SB **third** review (October 2024)	Proposed
Improving transparency and governance	Establish a public debt coordination and management framework with IMF TA support.	Improve transparency and manage debt-related risks	SB **first** review (October 2023)	[Met]
	Adopt the anti-corruption law submitted to parliament on February 4, 2022	Improve transparency and revenue collection	SB **second** review (April 2024)	Met
	Submit to the Cabinet a draft new organic law that regulates the statute and functions of the Court of Audit, in accordance with the IMF recommendations that it ensures its financial and operational independence	Improve accountability and governance	SB **second** review (April 2024)	In progress
	Consolidate all quasi-taxes into a single quasi-tax within the fuel price equation.	Improve transparency and fiscal efficiency	SB **second** review (April 2024)	Proposed
	Adopt a detailed institutional plan to strengthen the operational work of Agence Nationale d'Investigation Financière (ANIF) by addressing confidentiality, human, financial and technical resources issues.	Improve financial integrity and transparency	SB **second** review (April 2024)	Proposed
	Prepare a fiscal risk statement on the Sango project, disclosing existing fiscal commitments and assessing how the platform's activities could affect the government's fiscal position and overall debt sustainability, to be presented to the Cabinet. The assessment should be conducted following a framework developed with the support of the IMF TA and recommend legal measures to mitigate the risks identified.	Improve fiscal resiliency	SB **third** review (October 2024)	Proposed
	Conduct an audit of fuel procurement costs, including margins and fees, to establish optimal levels that reflect efficient operations by suppliers. Adapt the price structure based on the findings of this audit.	Improve tranparency and economic efficiency	SB **third** review (October 2024)	Proposed
	Pursuant to Art. 22 of the asset declaration law (n. 21.011) and Art. 4 of the anti-corruption law (n. 23.009), the Cabinet will adopt and implement regulation to allow the Haute Autorité de la Bonne Gouvernance (HABG) to operationalize the asset declaration law with a focus on receiving and publishing asset declarations of senior public officials. The implementing regulation should include (i) a specific timeline for the operationalization of the asset declaration requirements at the latest by the end of 2025, (ii) a monetary threshold of at least 50 million CFAF for simplified declarations contemplated in Art. 22 of the asset declaration law, and (iii) asset declaration forms.	Improve tranparency and governance	SB **third** review (October 2024)	Proposed

Note: Grey highlights present the new Prior Action and newly proposed SBs.

Table 10. Central African Republic: External Borrowing Program

PPG external debt contracted or guaranteed	Volume of new debt, US million 1/	Present value of new debt, US million 1/
Sources of debt financing	**11.7**	**7.0**
Concessional debt, of which 2/	11.7	7.0
Multilateral debt	3.3	2.7
Bilateral debt	8.3	4.3
Non-concessional debt, of which 2/	0.0	0.0
Semi-concessional debt 3/		
Commercial terms 4/	0.0	0.0
Uses of debt financing	**11.7**	**7.0**
Infrastructure		
Budget financing	11.7	7.0
Memorandum items		
Indicative projections		
Year 2	16.9	7.7
Year 3	20.1	10.4

1/ Contracting and guaranteeing of new debt. The present value of debt is calculated using the terms of individual loans and applying the 5 percent program discount rate.
2/ Debt with a grant element that exceeds a minimum threshold. This minimum is typically 35 percent but could be established at a higher level.
3/ Debt with a positive grant element which does not meet the minimum grant element.
4/ Debt without a positive grant element. For commercial debt, the present value would be defined as the nominal/face value.

Table 11. Central African Republic: Indicators of Capacity to Repay the IMF, 2023–2033

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
IMF obligations based on existing credit											
(SDR millions)											
Principal	17.5	25.8	32.9	37.1	35.7	26.4	19.6	11.0	4.7	2.3	1.1
Charges and interest	5.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
IMF obligations based on existing and prospective credit											
(SDR millions)											
Principal	17.5	25.8	32.9	37.1	35.7	26.4	25.1	24.4	27.7	28.3	27.2
Charges and interest	5.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
IMF obligations based on existing and prospective credit											
(CFA billions)											
Principal	14.0	20.6	26.4	29.7	28.5	21.1	20.1	19.5	22.1	22.7	21.8
Charges and interest	3.3	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Outstanding IMF Credit											
SDR Millions	215.6	226.1	237.5	231.0	195.4	169.0	143.9	119.5	91.8	63.5	36.3
CFAF Billions	172.2	180.6	190.1	184.9	156.3	135.2	115.1	95.6	73.5	50.8	29.1
Percent of government revenue	125.4	114.3	105.6	88.8	68.7	55.0	45.6	35.0	24.8	15.9	8.4
Percent of exports of goods and services	72.7	72.8	66.0	58.4	43.8	35.3	28.0	22.0	15.4	10.1	5.6
Percent of debt service	405.2	390.0	340.9	389.1	271.9	282.7	263.9	227.7	163.8	97.9	52.3
Percent of GDP	10.4	10.3	10.3	9.4	7.5	6.1	4.9	3.9	2.8	1.8	1.0
Percent of quota	193.5	203.0	213.2	207.4	175.4	151.7	129.2	107.3	82.4	57.0	32.6
Net use of IMF credit (SDR millions)											
Disbursements	30.5	36.3	44.4	30.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	23.0	32.3	39.4	43.6	42.1	32.9	31.6	30.9	34.2	34.8	33.7
Memorandum items:											
Nominal GDP (billions of CFA francs)	1651.1	1751.9	1844.0	1960.9	2082.2	2205.3	2333.0	2468.0	2610.6	2761.6	2921.4
Exports of goods and services (billions of CFA francs)	236.9	248.0	288.3	316.6	356.7	383.2	410.8	433.9	476.2	500.9	516.6
Government revenue (billions of CFA francs)	137.4	158.0	180.1	208.3	227.5	245.7	252.4	273.0	296.9	318.9	344.9
Debt service (billions of CFA francs)	42.5	46.3	55.8	47.5	57.5	47.8	43.6	42.0	44.9	51.9	55.5
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.

Annex I. Risk Assessment Matrix[1]

Risks	Relative Likelihood	Time Horizon	Expected Impact if Realized	Policies to Mitigate the Risks
Conjunctural Risks				
Intensification of regional conflict(s). Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, FDI and financial flows, and payment systems, and lead to refugee flows.	**High**	**Short Term**	**High** • Supply chain disruptions lead to higher prices for essential imports such as fuel and wheat.	• Application of the automatic fuel price adjustment mechanism to avoid expectations of a subsidy and to safeguard critical revenues Introduce targeted measures to mitigate the impact of the shock, e.g., by expanding the social safety net. Intensify cooperation with humanitarian agencies, including the WFP.
Social discontent. High inflation, real income loss, and spillovers from crises in other countries (including migration) worsen inequality, trigger social unrest, and give rise to financing pressures and detrimental populist policies. This exacerbates imbalances, slows growth, and triggers market repricing.	**High**		**High** • Increased cost of living as a result of increased inflation and supply chain disruption could provide a recipe for increased tension and social unrest.	• Continued cooperation with international organizations to support social programs. Attention should also be paid to the evolution of social sentiments and provide solutions ease tension.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon. This G-Ram is the latest dated July, 2023.

Risks	Relative Likelihood	Time Horizon	Expected Impact if Realized	Policies to Mitigate the Risks
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation causing sudden stops in EMDEs.	Medium		Medium • Global slowdown could result in lower demand, slower remittances and constrain financial flows.	• Continued reforms in the fuel sector and improve revenue mobilization to enable investment in priority areas. Taking advantage of the regional market to increase trade and investment.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, uncertainty, and export restrictions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability.	Medium	Short Term	High • Higher energy prices would stoke inflation further and would also add to fiscal pressures, given the fixed pump prices	• Application of the automatic fuel price adjustment mechanism to avoid expectations of a subsidy and to safeguard critical revenues • Introduce targeted measures to mitigate the impact of the shock, e.g., by expanding the social safety net. • Intensify cooperation with humanitarian agencies, including the WFP.
Monetary policy miscalibration. Amid high economic uncertainty and financial sector fragility, major central banks pause monetary policy tightening or pivot to loosen policy stance prematurely, de-anchoring inflation expectations, triggering a wage-price spiral and spillovers to financial markets.	Medium	Short to Medium Term	Medium	• Fiscal prudency amid active engagement with bondholders to curb borrowing costs.

Risks	Relative Likelihood	Time Horizon	Expected Impact if Realized	Policies to Mitigate the Risks
Systemic financial instability. Sharp swings in real interest rates and risk premia, and asset repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing market dislocations and adverse cross-border spillovers.	Medium		Medium	• Fiscal prudency amid active engagement with bondholders to curb borrowing costs. • Regular communication with COBAC to actively monitor the health of CAR's and CEMAC's banking systems, and their ability to continue to finance the sovereign.
Sovereign debt distress. Domino effects of higher global interest rates, a growth slowdown in AEs, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, resulting in capital outflows, an increase in risk premia, and loss of market access.	Medium		Medium	
Structural Risks				
Deepening geoeconomic fragmentation. Broader and deeper conflict(s) and weakened international cooperation result in a more rapid reconfiguration of trade and FDI, supply disruptions, protectionism, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth.	High	**Short to Medium Term**	High	• Active engagement with development partners on development financing, including budget support.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets ecosystems) or misuse of AI technologies trigger financial and economic instability.	Medium		Medium	• Mitigate the risks related to all CAR's crypto assets projects, in collaboration with the CEMAC monetary and regulatory authorities.

Risks	Relative Likelihood	Time Horizon	Expected Impact if Realized	Policies to Mitigate the Risks
Extreme climate events. Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	**High**		**High**	• Deepen the engagement with development partners to strengthen CAR's infrastructure against climate shocks and promote economic diversification. • Continued fiscal prudency to allow authorities to rapidly react when climate events occur.
Disorderly energy transition. Disorderly shift to net-zero emissions (e.g., owing to shortages in critical metals) and climate policy uncertainty cause supply disruptions, stranded assets, market volatility, and subdued investment and growth.	**Medium**		**Medium**	
Regional and Domestic Risks				
Increased insecurity and political instability.	**High**		**High** • Domestic and external political factors could lead to an escalation in insecurity	• Maintain dialogue with relevant stakeholders. • Prepare a budget contingency plan.
Setback in fiscal and structural reform momentum (via social discontent, political instability, and/or capacity constraints)			**Medium/ High** • Delays in revenue and PFM reforms could set back fiscal adjustment, increase debt, and lower external financing/grants	• Accelerate structural reforms and continue to ensure prudent budgetary management. Put in place social programs to address potential adverse impacts on the most vulnerable groups.
Promulgation of the law on the tokenization of CAR's natural resources.	**Medium**	**Short to Medium Term**	**High** • If not equipped with good safeguards, it could limit the ability to deal with BOP problems.	• Ringfence crypto-related activities from the rest of the economy. Strengthen AML/CFT controls to vet each of the investors in the SANGO platform.

Annex II. Developments in the Fuel Market

Despite major structural changes in the fuel market over the last year, geography continues to constraint the availability, volume, and price of the fuel products in CAR. The most efficient and cost-effective way to import remains through the Ubangi River. However, the pluviometry only makes it sailable between July and December. The alternative through the road from Cameroon is inefficient because of truck capacity, and subject to security risks. This note takes stock of the recent changes and reforms of the fuel market.

1. **Suppliers.** The acquisition of Total Energies, the largest marketer in CAR, by Tamoil (Transafrica Market oil) has been concluded. This transition has been mired by challenges in securing financing and negotiating product deals. It has also manifested in a significant decrease in imports during the ongoing river campaign. Just 6,000 m3 have been imported by Total during the current campaign, well below the 54,000 m3 imported in 2021. Moreover, during the first two months of the campaign, 66 percent of fuel imports (16,792 m3) have been executed by TRISTAR, a marketer primarily operating for MINUSCA. Other importers have predominantly utilized the route despite higher import costs. A total of 15,263 m3 of fuel have been imported from Cameroon in July and August.

2. **Transporters.** The management of river transport, previously handled by SOCATRAF, a subsidiary of Bolloré Africa Logistics, was transferred to the group Mercure Logistics in February 2023. This transition has caused delays in contract signing with importers, resulting in the first two out of seven convoys being transported by the Congolese company SEP-Congo. As of August 2023, Mercure has transported 11,000 m3 for TRISTAR and Total. Contracts with other importers are nearing completion. The entire CAR fleet, with a capacity of 13,000 m3, is in Kinshasa ready for product transportation.

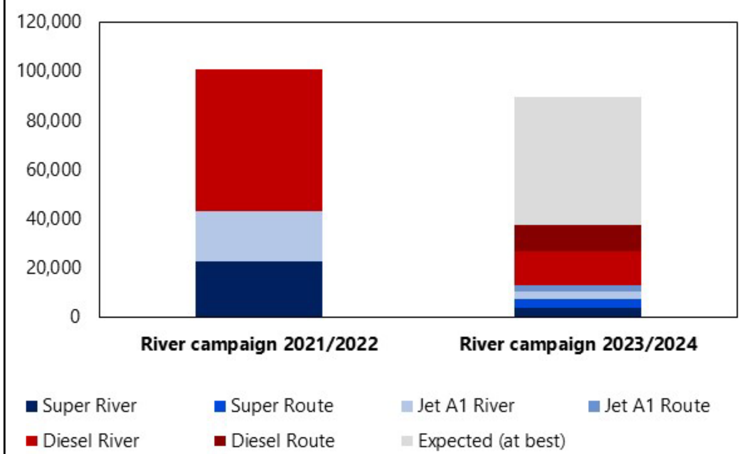
Figure 1. Fuel Import Routes

Source: IMF staff.

3. **Storage**. Despite a new 5,500 m3 reservoir under construction at SOCASP, storage

capacity remains underwhelming. Authorities plans to increase stock capacity through: (i) building storage facilities around Mongoumba, halfway to Bangui, in order to extend the river campaign from 6 to 10 months and (ii) expanding storage capacity countrywide starting by the center-east region, enhancing the formal market coverage beyond Bangui. The World Bank has approved a five-year, US$830 million project focused on bolstering transport and trade efficiency along waterways and road corridors connecting the Central African Republic and the Republic of the Congo. The AfDB is financing a project that will improve river navigation on the Brazzaville-Bangui River route along the Congo and Ubangi rivers and upgrade the Port of Mongoumba. As part of this project, 108 km of roads between Bangui and Mbaiki (R13), will be rehabilitated while 122 km of roads between Mbaiki and Mongoumba will be constructed.

Figure 2. Imports During the River Campaign



Source: IMF staff based on data shared by SOCASP.

4. Price structure. Since July, taxes and fees in the pricing structure have aligned with the provisions laid out in various legal and regulatory documents. Furthermore, several quasi-taxes have been consolidated into a single line referred to as “infrastructure fee”, except for the capacity expansion fee which has been retained. Increasing this capacity extension fee to CFAF 12 would fund the construction of a 5,500 m3 reservoir within a year. The authorities plan to implement the new price structure to all imports.

Annex III. Safeguards around Financing of Certain Non-Discretionary Fiscal Expenditures in Critical Service Delivery Areas

1. **Part of the IMF disbursement will supplement a World Bank operation aimed at financing the non-discretionary fiscal expenditures in critical service delivery sectors.** The WB operation will finance the wages of public servants delivering critical services to the population, such as health workers and teachers. A total of 7 socially oriented ministries will be covered under this operation. The Fund disbursements will complement the WB initiative by adding to the list of beneficiaries the ministry of finance and the ministry of economy, both at the frontline of program implementation. The disbursements will be split into equal parts over the program—except for the first-review disbursement, which will also include the postponed payment at program approval to match the start of the WB's operation, and the second review disbursement. This amounts to SDR 2.75 million for the first review and an average of SDR 1.4 million for the subsequent reviews. The authorities have committed to draw from the special escrow account at BEAC only after the WB's first disbursement has materialized under the financing of certain non-discretionary fiscal expenditures.

Table 1. Central African Republic: Schedule of IMF Disbursements
(Million SDR)

	Total Disbursement	Repayment to the Fund	Budget Support
Program approval	11.30	11.55	-
First Review	19.17	16.42	2.75
Second Review	17.15	15.53	1.62
Third Review	19.15	17.77	1.38
Forth Review	22.62	21.24	1.38
Fifth Review	21.74	20.36	1.38
Sixth Review	30.55	29.17	1.38
	141.68	132.04	9.89

2. **The program will leverage the WB's credibility and expertise in project management and incorporate extensive safeguards.** Disbursements under the Fund and WB programs will incorporate the following set of safeguard measures:

Prior to the First Disbursement

- In-depth audit of the public sector payroll system (GIRAFE) by an external auditor to identify anomalies and diagnose structural weaknesses.
- Correct anomalies and implement structural fixes to address the findings of the audit.
- Physical survey of civil servants paid through GIRAFE (both in Bangui and elsewhere)

- Prepare and start implementing an action plan to address HR and payroll management issues in the public sector.

After the First Disbursement

- Ex-post financial audit of salary payments made by the government, to be carried out by an external auditor.
- Subsequent disbursements would be pro-rated in case audit results yield a conformity rate below 95 percent.
- Corrective measure to address the findings of the external audit.
- Ad-hoc inspections to be carried out by the Inspectorate General of Finance (IGF), especially for civil servants outside Bangui.
- Disbursements made to escrow account and will only be released to reimburse the government after submission of granular certifying documentation on salaries paid.

Appendix I. Letter of Intent

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, DC 20431
USA

Bangui, October 13, 2023

Madam Managing Director:

1. **The Central African Republic economy is in the process of stabilization, thanks to the many efforts of the government and the decisive support of the IMF through our program supported by the Extended Credit Facility (ECF)**. The approval of the ECF program came at a time when our country was facing serious risks of economic and humanitarian crisis, partly caused by the succession of macroeconomic shocks we have experienced over the past three years—COVID-19 in 2020, suspension of budget support in 2021 and fallout from the war in Ukraine in 2022/23. Faced with this situation, the government has embarked on several reforms, ranging from the collection of domestic revenues to the consolidation of public finances, to the restructuring of the fuel market and the securing of the national territory. These efforts, supported by the ECF program, have enabled us to begin the process of stabilizing our economy, even if the situation remains precarious.

2. **Many tangible advances have been made in the first six months of the ECF program.** With the support of IMF staff, we have, among other things, (i) significantly increased our domestic revenues, exceeding program targets, and set even more ambitious goals for 2024, (ii) begun to stabilize the fuel market and address shortages, (iii) surpassed the program's reform ambitions with the implementation of all the structural benchmarks expected for the first review, as well as an additional reform to improve our good governance framework, initially expected for the second review. Unfortunately, we have recorded a slight overshoot (of 0.15 percent of GDP) of our primary deficit target at the end of June 2023 due to the strong social pressures we continue to face. We have taken preventive measures, detailed in the attached Memorandum of Economic and Financial Policies (MEFP), to address any future risk of budget overruns. We have also been forced to exceed our net domestic financing target, due to disbursement delays on external financing and the evolution of our financing prospects on the regional market, which has led us to review the composition of our budget financing. Despite this, we intend to maintain our budget deficit target to the end of December 2023, which remains within our reach.

3. **We undertake to ensure the conformity of government initiatives within the framework of the Sango project with the objectives of the ECF-supported program and CEMAC community provisions.** To this end, we have requested a written opinion from the Bank of Central African States (BEAC) on the conformity of Law No 23-010 governing the Tokenization of

Natural and Land Resources in the CAR with CEMAC community provisions, in particular on the question of the exclusive use of the Sango coin and bitcoin as the only means of payment on the Sango platform (article 18) and on the repatriation of profits (article 8) (***prior action***). In addition, we undertake to (i) strengthen our national framework for the fight against money laundering and the financing of terrorism (AML/CFT), by adopting a detailed institutional strengthening plan for the Agence Nationale d'Investigation Financière (ANIF), and (ii) limit the fiscal risks that could arise from the Sango project by preparing a detailed analysis of these risks, with details of the State's existing financial commitments to the project and an assessment of the mechanisms by which public finances could be affected by the platform's activities. The results of this analysis will be discussed by the Council of Ministers. In addition, the assessment should be conducted following a framework developed with the support of the IMF TA and recommend legal measures to mitigate the risks identified (***structural benchmark***).

4. Despite the positive developments of the last six months, the support of the international community, including the IMF, remains essential to the achievement of our objectives. We have implemented all the conditionalities for the first disbursement of World Bank funds to finance wages in the social sectors, which will take place before the end of October 2023, , and are committed to taking all the necessary steps to ensure the success of this program. We have also received firm commitments from the African Development Bank to implement a new budget support program, for which we expect a first disbursement before the end of this year. In addition, we intend to pursue discussions with our development partners to achieve the full release of budgetary support. In this context, we will spare no effort to reinforce budget transparency through swift, strong and concrete action.

5. Program performance has been mixed in a challenging macroeconomic environment. Two of the three end-June QPCs were missed by small margins. While the IT on spending via emergency procedures for end-June was not met, all the continuous PCs were met. We have also made significant progress in the structural reforms as all but one structural benchmarks for the first review have been met. We will continue to make efforts to make progress under the program to help us achieve our macroeconomic objectives.

6. We intend to use the IMF financing according to the allocation previously defined at the time of program approval: (i) approximately ninety percent of the proposed access will be paid directly into CAR's SDR account with the SDR Department to cover obligations to the Fund between 2023 and 2026, which are exceptionally burdensome and divert budgetary resources from basic social needs; and (ii) the remainder of the proposed access will be paid into the dedicated BEAC currency account, which will be used to replenish a special escrow account at BEAC. The funds in the escrow account will be used to preserve essential social services, complementing the World Bank operation. We have put in place a robust fiduciary management system to ensure the proper use of resources.

7. To support our efforts, we request the completion of the first review under the Extended Credit Facility, which will make available an amount equivalent to SDR 19.17 million (of which SDR 16.42 million will cover obligations to the Fund and SDR 2.75 million will be

used to replenish a special escrow account at BEAC), and the completion of the financing assurances review. We will draw from the special escrow account at BEAC only after the WB's first disbursement has taken place under the operation to finance certain non-discretionary fiscal expenditures in critical service delivery areas. We also request a rephasing of access to better align disbursements with the timing of our BoP needs that have changed since program approval. Tighter spending pressure and delays in external financing support led to us missing two QPCs. We request waivers for non-observance of the end-June 2023 QPCs on primary deficit and net domestic financing based on corrective actions geared towards (i) additional revenue efforts in the revised 2023 Budget Law (ii) the implementation without delay of a mechanism to monitor the compliance of QPCs on a monthly basis with a direct oversight by the Minister of Finance; (iii) a revenue-led fiscal consolidation of 1 percent of GDP to be enshrined in the 2024 Budget Law; and (iv) an updated domestic financing strategy. In order to accommodate the substantial issuance of domestic debt during the first eight months of 2023 that helped ease liquidity pressures, we also request an increase in the net domestic financing QPC for end-December 2023 from CFAF 37 billion to CFAF 57 billion.

8. We are convinced that the measures and policies set out in the MEFP are appropriate for achieving the objectives of the ECF-supported program. However, we are prepared to take any additional measures that may be necessary to achieve these objectives. The government intends to consult the IMF prior to any revision of the policies contained in the MEFP, in accordance with the rules governing such consultation. In addition, we will provide the IMF staff with all the data and information needed to assess the policies and measures set out in the Technical Memorandum of Understanding (TMU).

9. We intend to publish the IMF staff report, including this letter of intent and the attached MEFP and TMU. We therefore authorize the IMF staff to publish these documents on the IMF website once the Executive Board has completed the first review of the ECF-supported program.

Very truly yours,

/s/	/s/
Hervé Ndoba	Félix Moloua
Minister of Finance and Budget	Prime Minister

Attachments:
Memorandum of Economic and Financial Policies (MEFP)
Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

This Memorandum of Economic and Financial Policies (MEFP) discusses recent macroeconomic developments in the Central African Republic (CAR), the economic outlook and risks facing our economy, as well as the macroeconomic policies and structural reforms that we intend to implement as part of CAR's programme supported by the International Monetary Fund's (IMF) Extended Credit Facility (ECF).

A. Background

1. **The Central African economy is gradually recovering from a succession of crises compelled recently by the fuel crisis that began in April 2022.** The surge in world prices for petroleum products in the wake of the war in Ukraine in 2022/23 destabilized the fuel market and caused shortages which in turn contributed to a slump in domestic economic activity, a deterioration in public finances, and a surge in inflation, exacerbating the social insecurity affecting many Central Africans. The crisis arose in an already difficult context following the COVID-19 pandemic in 2020 and the suspension of budget support by donors in 2020/21. According to the Integrated Food Security Framework, nearly 2.4 million Central Africans (39 percent of the population) are currently suffering from acute food insecurity according to the Integrated Food Security Phase Classification.

2. **Government efforts, supported by the IMF's ECF programme, have helped kickstart the process of stabilizing our economy**. The government has taken bold measures to stabilize public finances, revitalize economic activity and maintain basic public services. In the vital fuel sector, our efforts helped improve the country's fuel supply and led to a reduction in pump prices (¶24). In the social sectors, we have conducted a thorough audit and clean-up of the public sector payroll system to ensure the proper use of resources and guarantee public services. In terms of good governance, a new law on prevention and punishment of corruption and related offences was passed in May to improve our framework for managing public resources. Adoption of the ECF programme has also helped to significantly improve our budget financing prospects, including on the regional bonds market (¶8).

3. **Progress has been made on the security front, although the situation remains challenging in some areas.** We have succeeded in demobilizing and integrating into our national armed forces five additional rebel groups, as well as significantly extending the national territory under government control, notably in the Sam-Ouandja region, bringing an end to several decades of control by armed rebel groups. We continue to repel assaults by anti-government forces, notably the Coalition of Patriots for Change (CPC), which nevertheless continue to operate sporadically in some parts of the country.

4. **Support from the international community remains essential to help us reach our goals and improve the living conditions of our population.** The country's macroeconomic situation remains precarious, despite the ongoing stabilization. We intend to continue discussions with our development partners to ensure the full resumption of budget support programmes planned for 2023 and beyond. In this regard, we are sparing no effort to strengthen fiscal transparency. Lastly,

with our ECF-backed programme, we intend to pursue the economic policies and structural reforms needed to establish sustainable inclusive growth in the Central African Republic.

B. Recent Macroeconomic Developments

5. **Persistent difficulties in fuel supply have prevented the expected rebound in economic growth in 2023.** Growth projections for 2023 have been revised downwards from 2.2 percent to 1 percent. This is mainly due to the persistent fuel crisis that has negatively affected the sector since mid-2022, following the low level of supplies during the 2022 river campaign, and the upsurge in the informal market caused by significant price differentials with neighbouring countries. The fuel shortage has weighed heavily on forestry, manufacturing and transport sectors. In addition, average inflation is expected to rise to 6.5 percent (from 6.3 percent previously) in 2023.

6. **Despite delays in implementing some measures, we exceeded our domestic revenue target.** More than CFAF 67 billion had been collected in domestic fiscal revenue by end June, compared with a target of CFAF 62 billion under the ECF programme. This performance was made possible partly thanks to one-off revenue inflows, such as the collection of previous tax debts, and despite delays in implementing measures such as the new "TIC-TECH" tax and shortcomings in applying minimum prices on cigarettes. This momentum also suggests that the numerous reforms underway within our tax administrations are beginning to bear fruit.

7. **The mid-year deficit target was slightly exceeded, reflecting the acuity of social pressures.** The domestic primary deficit at end June 2023 reached CFAF 26.5 billion, against a target of CFAF 24 billion. This slight overshooting is explained by the strong social pressures we continue to face - including unpaid teachers allowances that Government had to clear in the last days of June to allow school exams to be held. To mitigate the risks of budget overruns in the future, we have introduced a new system for real-time monitoring of the remaining budgetary margin under the ECF programme's quantitative criteria, as well as increased monitoring of priority spending to improve budget visibility.

8. **Our financing capacity on the regional public bonds market improved significantly following approval of the ECF programme.** The average subscription rate for treasury bond issues jumped from a very low level before approval of the ECF programme to over 70 percent immediately afterwards, testifying to the market's renewed confidence in the economic policies and reforms that we intend to implement under the programme. The government's communication efforts, coupled with technical assistance from the Bank of Central African States (BEAC), contributed to the success of a recent domestic syndication operation, including an issue of a 5-year OTA, the first since 2020, where we recorded a subscription rate of 100 percent, auguring well for the government's willingness to extend the maturities of public securities. Nevertheless, the Debt Department's capacities need to be strengthened to ensure better communication with primary dealers, with a view to maintaining confidence.

9. **The balance of payments deficit is expected to reduce this year, due to improved exports.** The country's current account deficit is expected to fall from 12.7 percent of GDP in 2022 to

around 8.6 percent of GDP this year, reflecting an increase in mining and forestry exports and a fall in imports due to fuel shortages. Official transfers are expected to increase to around 3.5 percent of GDP this year, compared with 2 percent in 2022, including budget support to be received from the World Bank and the African Development Bank. However, official transfers remain below the 6.8 percent observed in 2020, reflecting the suspension of budget support by some donors.

C. Economic Outlook and Risks

10. We anticipate a gradual acceleration in economic activity as government action bears fruit. GDP growth is expected to reach 1.5 percent next year. To increase growth potential, we recognize the need to ensure a stable supply of fuel in formal channels, while increasing spending in priority sectors, including roads, security, agriculture and social sectors. These efforts will increase CAR's productive capacity and strengthen the relationship between the state and the population. In the medium to long term, measures to improve governance, transparency and security should help attract external budget support.

11. This outlook is subject to significant risks. The baseline scenario assumes a partial resumption of budget support and a significant strengthening of economic policies in line with the commitments of the new ECF-supported programme. This scenario is subject to significant downside risks, including a deterioration in security, a resumption of fuel shortages, and difficulties in refinancing domestic debt. On the other hand, a more favourable economic momentum could result from faster implementation of structural reforms, a quicker return to peace throughout the country, and more significant gains from our efforts to mobilize revenue and control public spending.

D. Economic and Financial Program Goals and Policies

Government action under our IMF-backed ECF-supported programme will essentially aim to continue efforts to stabilize the macroeconomic situation, in order to mitigate the risks of a major humanitarian crisis, and to lay the foundations for sustained, balanced and inclusive economic development. To achieve this, we will be focusing our efforts on the three pillars of the ECF-supported program, namely (i) domestic revenue collection, to ensure Government financial independence and resilience to meet the needs of the population, (ii) good economic governance, to guarantee efficient use of resources collected, and (iii) support for the Central African population and businesses, to lay the foundations for inclusive and sustainable growth.

Short- and Medium-Term Fiscal Policy

2023 Fiscal Policy

12. The deficit target expected in the 2023 Finance Bill was maintained in the supplementary budget adopted on September 1. Despite the slight budget overrun recorded in mid-June, the domestic primary deficit target of CFAF 64 billion for end-December 2023 remains within reach. To achieve this, we plan to speed up collection of domestic revenue during the second half of the financial year by implementing a series of measures, including: (i) better return on taxes and fees on petroleum products following the drop in pump prices and decline in informal sector sales; (ii) collection of tax debts in various sectors of activity; and (iii) gradual resolution of difficulties in implementing the TIC-TECH tax. In addition, the anticipated disbursement of the first tranche of the World Bank's social sector wage support operation and the success of our syndication operation in August should significantly reduce the risk of a financing gap for the remainder of the 2023 financial year.

2024 Fiscal Policy

13. For 2024, Government is committed to pursuing a prudent fiscal policy. The domestic primary budget deficit is expected to fall from 3.8 percent of GDP in 2023 to 2.8 percent of GDP next year, largely due to increased domestic revenue, while expenditure will remain relatively stable as a proportion of GDP. The plan is to maintain a total primary expenditure package of around CFAF 207 billion. However, we intend to reallocate expenditure to favour infrastructure spending financed with own resources, including through the abovementioned increase in domestic revenue. In addition, we are committed to prioritizing social spending, to reduce the challenges faced by vulnerable people and preserve the essential functions of Government, including security.

14. In the 2024 Finance Bill, which is still under preparation, Government will introduce measures to reduce tax exemptions. In addition, we will continue to focus on collecting taxes due, and improve implementation of measures introduced in 2023, notably taxes on telecommunications services and tobacco imports. These initiatives aim to generate an additional CFAF 20 billion compared with 2023, i.e. CFAF 160 billion (0.7 percent of GDP). This goal will depend first and foremost on a stable and sufficient supply of petroleum products in the country. We are committed to implementing the measures discussed and agreed with Fund staff as part of the 2024 Finance Bill. More details are provided in this Memorandum in the Section of structural reforms below.

15. Regarding financing, we are confident that given the combination of this prudent fiscal policy still under the aegis of the ECF-backed programme, the regional market will be able to provide at least the same amount of gross domestic financing received during 2023. However, we are aware that securing such financing will depend on preparing, as of next year, a comprehensive strategy to refinance the substantial regional maturities for 2024 and 2025.

Medium-Term Fiscal Policy

16. Medium-term fiscal policy will be guided by the goal of improving domestic revenue collection and public debt sustainability. Our medium-term strategy will be anchored on a significant increase in our capacity to collect domestic resources, of around 0.6 percent of GDP per year, including through an in-depth reform of our tax and customs administrations. Combined with better prioritization of public spending and management of its efficiency, this would enable a reduction of budget financing risks, bringing the domestic primary balance below 2 percent and the outstanding debt stock to 46 percent of GDP by the end of 2026. At the same time, we will continue our dialogue with our donors to ensure that budget support is fully disbursed. Government will spare no effort to strengthen fiscal transparency, in order to reassure donors.

Public Debt Management Policy

17. Major steps will be taken to strengthen our public debt management framework. We have set up a framework for the coordination and management of public debt, in line with IMF recommendations (**structural benchmark**). This framework will enable us to better plan public debt issuance operations and improve the profile of sovereign debt. This approach will help us establish a refinancing strategy for medium-term maturities.

18. A specific strategy will be adopted for the repayment of government bonds in 2024 and 2025. With the support of IMF's technical services, we intend to implement a refinancing strategy for these government securities, in order to continue building our reputation as a reliable borrower on the regional public bonds market. We are exploring the possibility of swapping and/or buying back part of these securities in order to optimize the repayment profile and/or the gradual accumulation of dedicated resources housed at BEAC, with a view to guaranteeing repayment at maturity.

19. Efforts are being made to adopt preventive management of domestic arrears in order to reduce fiscal risks and limit the negative effects on the private sector. We have initiated an inventory of all domestic arrears and intend to implement a plan to facilitate their clearance, including through potential securitization of those that have already been audited. Similarly, we have initiated discussions on a strategy to end accumulation of new arrears. The strategy will include, at a minimum: (i) a detailed schedule; (ii) the criteria to be used to clear arrears in order to minimize the possibility of favouritism and corruption in the selection of beneficiaries; and (iii) the improvement of the cash flow plan and its synchronization with the consolidated accounts, the commitment plan and the public securities issue plan.

20. Controlling the domestic debt owed to public companies and establishments is one of our important policy goal. As a follow-up to the audit of the arrears of the three public enterprises (ENERCA, SODECA and SOCATEL), we drew up a plan to clear the arrears of these three public enterprises, as well as the pre-2019 arrears. However, we have not been able to implement the payment plan for these arrears. We undertake to ensure that any new debt owed to State-owned enterprises will be duly recorded in the debt books from December 2023. In addition, we undertake to update the arrears payment plans to include new arrears no later than December 2023. Also, we will ensure the strict application of the provisions of Law No. 20/004, which requires all public entities to obtain the written authorization of the Minister of Finance and Budget before signing any loan agreements.

21. Given the high risk of debt distress, we will continue to rely on grants and will not enter into any non-concessional lending arrangements. The use of concessional loans will be limited to priority investment projects for which it will not be possible to obtain grants, and within the limits agreed with the IMF. We are preparing an investment conference in the coming weeks with Islamic and Arab donors and funds to raise concessional financing, always minding the limits incorporated in the ECF-supported program. These resources will be devoted to finance a pipeline of infrastructure projects that would cater to agriculture, energy, water, transportation, and social sectors. In order not to increase further the already high debt service to export and revenue ratios projected for the medium term, these loans should have long grace periods and/or repayment schedules. We will consult with IMF staff as new financing opportunities arise.

22. We have taken steps to strengthen our debt management framework., This includes the adoption of a Presidential decree prohibiting the contracting of any new government liabilities outside the new debt management committee, established with support from the IMF (***structural benchmark***).

Structural Reforms

This section reports on the actions we have taken and will be taking to increase revenue mobilization, improve the business climate, enhance social protection and increase transparency in fiscal management.

Improving and Securing Domestic Revenue

23. Government has initiated major reforms to strengthen our capacity to collect and secure tax revenues, including the following:

- Over the past few months, the committee responsible for monitoring administrative fees and charges (petty revenues) carried out a complete reorganization of the national system for collecting these resources. Among other things, the reform made it possible to (i) clarify the legal basis for collecting such revenue, (ii) optimize the environment for collecting and managing these resources by designating separate revenue and expenditure departments, thereby helping to mitigate the conflict of interests between the former joint managers, (iii) lay down conditions for repatriating such revenue to the Treasury Single Account (TSA) (**structural benchmark**), as well as the conditions under which they can be used to finance expenditure within the collecting ministries. With the support of the European Union (EU), we are currently conducting pilot tests in two ministries, namely the Ministry in charge of Justice and the Ministry in charge of Public Security, with a view to digitizing the collection of such petty revenue. At the end of these trials, we intend to extend the new digital collection solutions to the entire public administration;

- To increase tax collection, we are implementing an action plan that will enable us collect at least an additional CFAF 2.7 billion in taxes. The plan includes: (i) implementing the ministerial instrument ordering the systematic use of the electronic declaration system for all large companies; (ii) applying a 10 percent penalty (on the value of imports) with a minimum of CFAF 1 million in duty payments to importers not registered with the tax authorities ; (iii) collecting sums owed by all importers and beneficiaries of public contracts who are not up to date with their tax obligations, and (iv) reclassifying companies, hitherto considered as medium and small, as large companies following the joint mission between the tax department, the customs department and the trade department in the districts of the city of Bangui;

- The necessary measures are implemented to computerize the other two border points, which could handle a significant proportion of customs transit, by the end of 2023. Over the next few years, we plan to increase the number of computerized customs posts, having recently secured them with the support of MINUSCA.

- With EU support, we migrated from ASYCUDA++ to ASYCUDA World. The latter has been installed in all the customs clearance offices previously using ASYCUDA++ (Bangui M'Poko airport, the central post office, the PK26 dry port, the engagement office, the Beloko office and the single desk in Douala). In addition, we have installed ASYCUDA World within SOCASP (the entity responsible for declaring fuel taxes). As part of this reform, we intend to continue transferring skills to the project team and training importers. We will continue to work on the payment of declarations in ASYCUDA World by banks via the Webservice. Our short-term objective is to continue rolling out this system to the Berberati, Mongoumba and Gamboula offices, which will facilitate the exchange of information between the systems of the Directorate General of Taxation and the Directorate General of Customs;

- With the assistance of our technical and financial partners (TFPs), including the IMF, we have initiated a series of studies on tax expenditure (tax exemptions), which have a significant impact on the actual volume of tax revenue. The outcomes of these studies, together with the recommendations of studies already carried out by our TFPs (AfDB and WB), will be used to draw up a work plan for better management of tax exemptions. The plan should include a review of the relevance of exemptions in light of the country's economic and social priorities, as well as their conformity with the provisions of the current legal framework in conjunction with a detailed list of measures aimed at improving transparency in the process of granting them so that no exemption is granted outside these texts. On a preliminary basis, pending the development of a more comprehensive strategy, we intend to include in the 2024 Finance Bill measures to incorporate within the list of goods non-eligible for tax exemptions under any national agreements staples such as rice, flour, oil and sugar, as well as all products from the CEMAC zone. Also, by October 2024 at the latest, we undertake to publish the list of beneficiaries of the exemptions and their legal basis **(*structural benchmark*)**;

- With EU support, we are on track to set up a new IT system within the DGID to allow remote declaration, remote payment and online registration of taxpayers **(*structural benchmark*).** This new tool will also make it possible to connect the DGID's IT system with those of other government services, including Customs and Budget/Treasury, significantly extending the scope of access to tax information. We are committed to ensuring that all large companies use the e-filing system by the end of December 2023. We will gradually extend the use of the system to medium-sized businesses from the fourth quarter of 2023, and we will make it compulsory for all businesses from January 2024;

- Government plans to introduce by April 2024 a "cross-check" module enabling automatic cross-referencing of tax information between the DGID and Customs **(*structural benchmark*)** in order to better detect instances of fraud. This module will allow the verification of the information with other sources, such as the customs database, the treasury, and eventually banks. At the same time, the Government plans to introduce e-VAT, an electronic invoicing system for VAT-registered businesses that facilitates real-time reporting, while ensuring its seamless integration with the e-tax system.

- We have taken the necessary steps to implement the provisions of Section 344 of the Tax Code, which imposes a penalty on taxpayers who import goods and are not on the list of companies deemed active and known to the tax authorities. To prevent any attempt at circumventing this measure, we are committed, with the technical assistance of the IMF, to publishing a decree by the end of the year that will clearly lay down the minimum criteria for a taxpayer to be considered active and known by the tax authorities, thereby exempting them from paying this penalty. **(*structural benchmark*)**

Reforming The Fuel Sector

24. Major reforms have been undertaken in the fuel sector since the start of the crisis. On July 6, 2023, the authorities decided to lower the pump prices of fuel, in order to relieve the population and discourage the growth of the informal market, while guaranteeing sufficient revenue collection for the government. We have also adopted a new fuel price structure that streamlines a number of taxes and charges and simplifies their application, in line with IMF recommendations (***structural benchmark***). We undertake to continue calculating the structure of hydrocarbon prices while complying with the tax rates[1] and incidental taxes[2] stipulated in the Tax Code, the Finance Bill and the CEMAC directives. We will continue to explore ways of implementing the other recommendations of the IMF technical assistance mission, in particular (i) applying the price structure to customs, (ii) carrying out an audit and review of the components of supply costs (margins and fees) (***structural benchmark***); (iii) unifying the price formula by supply channel; (iv) launching a call for tenders for the public import of fuel for the approved market; and (v) introducing an automatic price review mechanism suitable to the CAR context.

Strengthening Fiscal Management

25. As part of the ongoing discussions with donors on budget support, we will significantly strengthen fiscal transparency:

- The Ministry of Finance will continue to hold regular monthly meetings on our cash flow management, with the participation of our technical and financial partners. The next meeting the next will take place no later than the end of October 2023.

- In July 2023, we held a workshop to present the preliminary findings of the Public Expenditure and Financial Accountability (PEFA) review for 2019-2021. We have sent the draft report to the designated revisors (WB, EU, AfDB, Economic and Social Council). Once finalized, the final report

[1] VAT, Customs Tax, CEMAC Community Tax, ECCAS Community Integration Contribution and Single Tax on Petroleum Products (TUPP).

[2] IT Equipment Charge (REI), Storage Capacity Extension Financing, Fraud Control and Prevention, Road User Charge (RUR).

will be sent to all our technical and financial partners by September 26 at the latest, and the findings will be published.

- To maximize transparency in budget support management and assure our development partners about the right usage of these funds, we have opened an escrow account at BEAC to deposit the IMF disbursements, net of reimbursements, to supplement the World Bank operation. Importantly, we have committed to draw from the special escrow account at BEAC only after the WB's first disbursement has taken place under the operation to finance certain non-discretionary fiscal expenditures in critical service delivery areas. The Government is considering allocating disbursements under the IMF's ECF program to the payment of the salaries and wages of the public servants in the Ministries of Finance and the Economy, which are at the forefront of the implementation of economic and financial reforms. We are also looking into the possibility of including the salaries and wages of the Magistrates of the Audit's Court, in order to demonstrate the importance that the Government attaches to the control of public finances. To implement this option, we will share the necessary statistics with the IMF services and agree on the necessary guarantees for the implementation of this recommendation.

- We have prepared and published online the quarterly budget execution tables (TOFE) for 2022 and the first two quarters of 2023.[3] They have been prepared using the format proposed by IMF staff, which enables a more detailed and coherent analysis of the budget situation. We will continue to publish the same tables, no later than 45 days after the end of the quarter.

26. Progress has been made in consolidating the TSA and digitalizing fiscal management. An initial draft agreement between BEAC and the Treasury for TSA management has been sent to BEAC headquarters for review. The agreement will be signed as soon as possible. Even though we experienced some technical hitches, interconnection of the Sygma-Systac software and the SimBa software, which will enable us to better monitor budget execution, is operational, and we are executing this year's budget with the said system. Since 2022, we have been using the new digital application to manage pension arrears, enabling us to put an end to arrears accumulation and to immediately take on board new pensioners. We have started implementing an in-depth budgetary dialogue on government spending operation, intervention, and investment in the preparation of the budget.

27. Major steps have been taken to improve our framework for promoting good governance and combating corruption. In May 2023, almost a year ahead of schedule under the programme, we adopted a new law on prevention and punishment of corruption and related offences. The new law fully complies with the recommendations of the IMF staff and the requirements of the United Nations Convention against Corruption. We are committed to implementing the new provisions introduced by the law, in particular those relating to asset declarations (**structural benchmark**). To this end, we intend to seek technical assistance from the IMF. In addition, given the important role played by the Audit's Court in guaranteeing fiscal

[3] Available here

transparency and preventing corruption and fraud, we have embarked on a process to amend the relevant organic law to guarantee its institutional and financial independence. With EU support, a Bill has been prepared and submitted to the TFPs for comments, to ensure that it complies with the country's legislation and international best practices. Once finalized, we intend to submit it to the Council of Ministers by February 2024, at the latest (***structural benchmark***).

28. Government will continue to take all necessary measures to reassure our financial partners about transparency in the use of resources. In order to clean up the payroll of public servants, the government has undertaken a project to make the payroll chain more reliable, extending beyond the seven sectoral departments concerned by the World Bank's financing of recurrent government expenditure. We carried out an audit of the payroll chain by CGIC-Afrique, financed by the World Bank. The conclusions of this audit and an action plan to implement the recommendations were validated by inter-ministerial order n°789/MFB/MFPRA/23 of August 9, 2023. Priority Actions also carried out a number of actions aimed at remedying the shortcomings identified by the audit, including the following have already been implemented, namely (i) creating and adapting view screens to track the updating of payroll files; (ii) adapting current processing screens to create locks so that duplicate entries cannot be created in GIRAFE; and (iii) cleaning the database of duplicate entries and similar anomalies. In addition, we have significantly improved the level of transparency of our budget expenditure, with the introduction of a new format for publishing the actual expenditure of ministerial departments, classified by economic nature. We also finalized and transmitted the audit report on COVID-19 financing granted by the African Development Bank (ADB), in accordance with the institution's requirements.

29. Efforts to increase transparency in public procurement will continue. We have published the names of companies that received money intended to deal with the pandemic, as well as the criteria for their selection, until the said public contracts are executed. We have published full details of all public contracts concluded in 2023 above the 10 million CFA francs threshold, including the names of the actual beneficiaries, a measure that has been in force since August 2021.[4] We will continue to make available all information required by the ministerial decree of 4 August 2021.

30. We will speed up the implementation of the rapid results action plan agreed with the IMF's Fiscal Affairs Department, AFRITAC Centre and UNDP. This initiative is part of preparations for the shift to program budgeting and accrual accounting. To this end, we will ensure implementation of multi-year investment programming and budget devolution by the end of 2025. We will continue to prepare for the transition to accrual accounting by speeding up work on auditing the aggregated government accounts balance and adopting government's accounting standards and implementing regulation on inventories and fixed assets. As a first step in accounting reform, we enacted the decree incorporating into domestic law the CEMAC Directive No. 01/20-UEAC-CM-35 of 8 September 2020 on stores accounting.

Strengthening Business Climate and Social Protection Institutional Framework

[4] Available here

31. Despite fiscal consolidation efforts, we are committed to maintaining social spending for the benefit of the population at a suitable level, in line with our quantitative targets under the program. Our ECF program includes a quantitative target for budget spending on social sectors, including health, education, social protection and humanitarian actions. This performance criterion is currently limited to the execution of expenditure from own resources, over which Government has more control. However, under the program, we will be considering the possibility of extending the scope of this performance criterion to the main donor-financed social projects, to ensure that all programs serving the population are properly implemented.

32. Efforts to improve the business climate will continue:

- The TFPs' comments on the mining code will be taken into account before it's submission to the National Assembly to ensure that it complies with the FATF recommendations on combating money laundering and terrorism financing, and with the CEMAC directives on foreign exchange regulations. Similarly, with World Bank support, we are committed to tabling and adopting the new mining code (World Bank conditionality), as well as the model mining agreement, and the regulatory instruments that will govern the mining fund and the new public agencies in line with international best practices.

- The government is making progress in implementing the recommendations of the National Economic and Financial Committee (CNEF). The texts relating to financial mediation in the Central African Republic were validated by COBAC in May 2023. The costs associated with this mechanism are currently being estimated with a view to financing by the State, banks and microfinance institutions. Through the CNEF, we have also adopted the articles of association of the company in charge of collecting overdue bank debts, whose first constitutive General Meeting will be convened no later than the end of December 2023.

- Given the incompatibilities of law No. 22.004 of April 22, 2022 on cryptoassets with the CEMAC's regulatory framework, we have removed the legal tender and guaranteed convertibility of cryptoassets in the revised law No. 23.005 of April 6, 2023, in collaboration with CEMAC authorities, to ensure consistency with the CEMAC monetary framework and mitigate risks to fiscal and macro-financial stability.

- Following enactment of Law No. 23-010 of 24 July 2023 on the "tokenization" of CAR's natural and land resources, we have requested a written opinion from the BEAC, on matters falling within its competence, on the law's compliance with CEMAC community provisions, including Articles 18 and 8. (**prior action**).

- The Government have also taken a number of measures to mitigate the potential macroeconomic risks associated with the Sango project and the tokenization of our country's natural resources, including:

    - In terms of risks relating to money laundering and terrorist financing (ML/TF), we commit to strengthening our domestic institutional framework through the adoption of a detailed

AML/CFT institutional strengthening plan concerning the National Financial Investigation Agency (ANIF) to address issues of confidentiality, human resources, financial resources and technical resources (***structural benchmark***). We will also take additional measures to mitigate these specific risks as recommended by the GABAC report, once adopted;

- In terms of potential fiscal risks, we undertake to disclosing existing fiscal commitments and assessing how the platform's activities could affect the government's fiscal position and overall debt sustainability, to be presented to the Cabinet. The assessment should be conducted following a framework developed with the support of the IMF TA and recommend legal measures to mitigate the risks identified (***structural benchmark***). We also undertake to implement the action plan deriving from the fiscal risks statement which would involve operational and legal reforms in the short (6 months), medium (9 months), and long term (over 12 months). Where necessary the tokenization law would be revised to mitigate those risks. We also intend to disseminate the results to the National Assembly and the public.

33. Efforts to preserve banking system solidity will be maintained. The capital adequacy ratio remained solid at 23.5% at end-December 2022, well above the regulatory minimum of 10.5%, while the short-term liquidity ratio stood at 151.8% above the regulatory minimum of 100%. Loans to the private sector increased by 0.6 percent year-on-year in December 2022, while the rate of non-performing loans (NPLs) remained contained at 12.4 percent in December 2022, partly thanks to the prudential easing measures implemented by COBAC in response to the pandemic. In addition, 97 percent of these NPLs are well provisioned. However, significant gaps in terms of liquidity and concentration of NPLs among financial institutions call for increased vigilance.

E. Capacity Building

34. Technical assistance and training provided by the IMF and other partners will be essential in the coming years to strengthen our institutional capacity and ensure success in implementing this new ECF-supported programme. We are receiving ongoing technical assistance supported by the IMF, World Bank Group, European Union, AfDB and other development partners in the following areas: (i) improving revenue administration; (ii) strengthening fiscal management and improving fiscal governance and anti-corruption mechanisms; (iii) designing macroeconomic programming and debt management; and (iv) improving the quality of economic and financial statistics.

F. Program Monitoring

35. The program will be monitored using quantitative performance criteria, indicative targets and structural benchmarks as stipulated in the technical memorandum of understanding (Attachment No. II). Quantitative performance criteria have been set for end December 2023, end June 2024 and end December 2024, and indicative targets have been set for March 2024 and end September 2024 (Table 1). Structural benchmarks have been set up to October 2024 (Table 2). The second and third performance reviews will take place on or after April 30, 2024 and October 30, 2024, respectively. We will continue to provide IMF staff with the statistical data and information identified in the attached technical memorandum of understanding, as well as any other information they deem necessary or that IMF staff may request for monitoring purposes.

Table 1. Central African Republic: Quantitative Performance Criteria and Indicative Targets, 2023-24

(CFAF Billions; Cumulative from Beginning of the Year, unless otherwise specified)

	End-March 2023			End-June 2023				End-September 2023	End-December 2023		End-March 2024	End-June 2024	End-September 2024	End-December 2024
	IT	Actual	Status	PC	Adjusted Target[6]	Actual	Status	IT	PC (Current)	PC (Proposed)	IT	PC	IT	PC
Quantitative performance criteria														
Net domestic financing of the government (ceiling, cumulative flows for the year)	19.0	16.8	Met	11.0	29.0	37.2	Not met	28.0	37.0	57.0	18.0	30.0	40.0	55.0
Domestic government revenue (floor, cumulative for the year)[1]	30.0	30.2	Met	62.0	--	67.4	Met	96.0	130.0	130.0	34.0	75.0	115.0	155.0
Domestic primary fiscal balance (floor, cumulative for the year)[2]	-12.0	-11.0	Met	-24.0	--	-26.5	Not met	-35.0	-64.0	-64.0	-13.0	-22.0	-33.0	-50.0
Continuous performance criteria														
New external debt contracted or garanteed by the Government (ceiling, cumulative from January 1, 2023)[3,4]	0.0	0.0	Met	0.0	--	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disbursement of external nonconcessional debt (ceiling, cumulative from January 1, 2023)[3,4]	0.0	0.0	Met	0.0	--	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non accumulation of new external payments arrears by the government (ceiling, cumulative for the year)[3,4]	0.0	0.0	Met	0.0	--	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets														
Social spending (floor, cumulative for the year)[5]	2.5	1.1	Not met	8.0	--	4.5	Not met	17.0	22.0	22.0	4.0	8.0	17.0	22.0
Spending using extraordinary procedures (ceiling, cumulative for the year)	1.5	1.6	Not met	2.5	--	6.6	Not met	4.0	5.0	5.0	2.0	5.0	7.0	8.0
New external concessional debt contracted or guaranteed by the government (ceiling, cumulative for the year)	20.0	0.0	Met	20.0	--	0.0	Met	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Memorandum items:														
Budget support	0.0	0.0		18.0	--	0.0		18.0	26.6	24.0	0.0	6.3	11.1	17.1
Privatization receipts	0.0	1.9		0.0	--	1.9		0.0	0.0	1.9	0.0	0.0	0.0	0.0

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

[1] Domestic revenue, which excludes foreign grants and divestiture receipts.

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

[3] These objectives will be monitored continuously.

[4] Contracted or guaranteed by the government.

[5] Social spending is defined as domestically financed public non-wage spending on primary and secondary education, health, social action, water and sanitation, microfinance, agriculture and rural development.

[6] The ceiling on net domestic government financing as of end-June 2023 was adjusted-up to reflect the delay of the budgetary support from the World Bank originally anticipated for 2023.

Table 2. Central African Republic: Prior Action and Structural Benchmark

Program Objectives	Proposed Structural Benchmarks	Macroeconomic Rationale	Timeline	Status
Prior action	Request an expedited written opinion from BEAC on the consistency of the Tokenization Law no. 23-010 of July 24, 2023 with the CEMAC legal and regulatory framework, including the exclusive use of the Sango Coin and Bitcoin as the sole payment instrument for the transactions of tokenized assets through the Sango platform (Article 18) and the repatriation of benefits (Article 8).	Protect macrofinancial stability in CAR and the CEMAC	Five days before the board date for the **first** review	New and met
Improve revenue collection	Operationalize key functions of the new IT system for domestic revenues, including online registration, online declaration and electronic payments.	Improve revenue collection	SB **first** review (October 2023)	In progress
	Address fuel shortages and stabilize government revenues by: (i) calculating the hydrocarbon price structure while respecting the tax rates* and quasi-taxes** defined in the tax code, the finance law, and the CEMAC directives; and (ii) signing an inter-ministerial decree with the new hydrocarbon prices in line with IMF TA recommendations on fuel prices.	Improve transparency and revenue collection	SB **first** review (October 2023)	Met
	Transfer to the TSA all the funds collected directly by the ministries in exchange for services provided to users	Improve revenue collection	SB **second** review (April 2024)	In progress
	Operationalize the cross-verification module of the new DGID IT system and interconnection with the customs computer system (Sydonia World).	Improve revenue collection	SB **second** review (April 2024)	New
	Issue a ministerial decree outlining minimal criteria for official taxpayer recognition by the tax office.	Improve revenue collection	SB **third** review (October 2024)	New
Improving transparency and governance	Establish a public debt coordination and management framework with IMF TA support.	Improve transparency and manage debt-related risks	SB **first** review (October 2023)	Met
	Adopt the anti-corruption law submitted to parliament on February 4, 2022	Improve transparency and revenue collection	SB **second** review (April 2024)	Met
	Submit to the Cabinet a draft new organic law that regulates the statute and functions of the Court of Audit, in accordance with the IMF recommendations that it ensures its financial and operational independence	Improve accountability and governance	SB **second** review (April 2024)	In progress
	Consolidate all quasi-taxes into a single quasi-tax within the fuel price equation.	Improve transparency and fiscal efficiency	SB **second** review (April 2024)	New
	Adopt a detailed institutional plan to strengthen the operational work of Agence Nationale d'Investigation Financière (ANIF) by addressing confidentiality, human, financial and technical resources issues.	Improve financial integrity and transparency	SB **second** review (April 2024)	New
	Prepare a fiscal risk statement on the Sango project, disclosing existing fiscal commitments and assessing how the platform's activities could affect the government's fiscal position and overall debt sustainability, to be presented to the Cabinet. The assessment should be conducted following a framework developed with the support of the IMF TA and recommend legal measures to mitigate the risks identified.	Improve fiscal resiliency	SB **third** review (October 2024)	New
	Conduct an audit of fuel procurement costs, including margins and fees, to establish optimal levels that reflect efficient operations by suppliers. Adapt the price structure based on the findings of this audit.	Improve tranparency and economic efficiency	SB **third** review (October 2024)	New
	Pursuant to Art. 22 of the asset declaration law (n. 21.011) and Art. 4 of the anti-corruption law (n. 23.009), the Cabinet will adopt and implement regulation to allow the Haute Autorité de la Bonne Gouvernance (HABG) to operationalize the asset declaration law with a focus on receiving and publishing asset declarations of senior public officials. The implementing regulation should include (i) a specific timeline for the operationalization of the asset declaration requirements at the latest by the end of 2025, (ii) a monetary threshold of at least 50 million CFAF for simplified declarations contemplated in Art. 22 of the asset declaration law, and (iii) asset declaration forms.	Improve tranparency and governance	SB **third** review (October 2024)	New

Note: Grey highlights present the new Prior Action and newly proposed SBs.

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria, indicative targets, and structural benchmarks that will be used to evaluate performance under the program for the Central African Republic (CAR) presented in the Memorandum of Economic and Financial Policies (MEFP). The TMU also establishes the framework and deadlines for the reporting of data which will enable IMF staff to evaluate the program's implementation.

A. Definitions

2. Unless otherwise specified, the government is defined as the central government of the CAR and does not include any local governments, the central bank, or any public entity with separate legal personality (i.e., enterprises wholly or partially owned by the government) that are not included in the government financial operations table (TOFE).

3. Definition of debt. The definition of debt is set out in para. 8 of the "Guidelines on Public Debt Conditionality in Fund Arrangements", adopted by Decision No. 16919-(20/103), of the Executive Board adopted on October 28, 2020[1]:

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

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

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

iii. Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the PV (at the inception of the lease) of all

[1] Reform of the Policy on Public Debt Limits in Fund-Supported Programs 15688-(14/107) (imf.org)

lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

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

(c) **External debt** and **domestic debt** are defined on the basis of the residency of the subscriber, with the exception of: (i) Treasury bills and bonds and other securitized debt issued by the government on the CEMAC regional financial market and not held by the local banking system, which are considered part of the domestic debt; and (ii) any Bank of Central African States (BEAC) credit to the government, including the use of the SDR allocation, which is considered part of the domestic debt.

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

5. Concessional debt. Concessional debt is defined as debt with a grant element of at least 35 percent. The grant element is the difference between the nominal value of the loan and its present value, expressed as a percentage of the nominal value. The present value of the debt on the date on which it is contracted is calculated by discounting the debt service payments on the date on which the debt is contracted. The discount rate used for this purpose is 5 percent.

6. Total government revenue is tax and nontax revenue, or other revenue recorded on a cash basis. Proceeds from the sale of financial assets, revenue from privatizations or from the granting or renewal of licenses, and investment proceeds on government assets and grants are not considered government revenue for the purposes of the program.

7. Total government expenditure is understood to be the sum of expenditure on wages and salaries of government employees, goods and services, transfers (including subsidies, grants, social benefits, and other expenses), interest payments and investment expenditure, recorded on a settlement basis, unless otherwise stated. Total government expenditure also includes expenditures executed before payment authorization and not yet regularized.

8. Wages and salaries correspond to the compensation of government employees as described in paragraphs 6.8–6.18 of *GFSM 2014*, namely, all employees (permanent and temporary), including members of the armed and security forces. Compensation is defined as the sum of wages and salaries, allowances, bonuses, pension fund contributions, and any other form of monetary or non-monetary payment.

9. For the purposes of this memorandum, the term **arrears** is defined as any debt (as defined in paragraph 3 above) that has not been paid in accordance with the conditions specified in the contract establishing said debt.

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

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

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

11. **External payment arrears** are defined as arrears on external debt obligations. They represent the difference between the amount required to be paid under the contract and the amount actually paid after the payment deadline specified in the contract.

B. Quantitative Targets

12. **The quantitative targets listed below are those specified in Table 8 of the MEFP.** Adjusters of the quantitative targets are specified in Section C. Unless otherwise indicated, all quantitative performance criteria and indicative targets are assessed on a cumulative basis from the beginning of the calendar year in which they are set.

Quantitative Performance Criteria

Ceiling on Net Domestic Financing of the Government

- **Net domestic financing of the government** is defined as the sum of (i) net bank credit to the government, defined below; and (ii) non-bank financing of the government, including proceeds from the sale of financial assets, proceeds from privatizations or the granting of licenses, Treasury bills and bonds and other securitized debt issued by the government in the CEMAC regional financial market, denominated in CFA francs and not held by the local banking system, and any Bank of Central African States (BEAC) credit to the government, including any drawings on the CFA franc counterpart of the allocation of Special Drawing Rights (SDRs).

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

Floor for Domestic Government Revenue

- **Domestic government revenue:** Only revenue on a cash basis (tax and nontax revenue) will be taken into account in the TOFE.

Floor for the Domestic Primary Fiscal Balance

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

Continuous Performance Criteria

Ceilings on New External Debt Contracted or Guaranteed by the Government

- The government undertakes **not to contract or guarantee nonconcessional debt** (excluding newly contracted financing from the IMF and the General SDR allocation). This continuous quantitative benchmark is assessed on a cumulative basis from October 1, 2021.

- The government undertakes not to **disburse nonconcessional debt** (excluding newly contracted financing from the IMF and the General SDR allocation).

Non-Accumulation of New External Payment Arrears by the Government

- **The government undertakes not to accumulate external payments arrears** on an external debt contracted or guaranteed by the government, with the exception of arrears relating to debt that is the subject of renegotiation or rescheduling. This quantitative benchmark is applied on a continuous basis.

Indicative Targets

Floor for Social Spending

- **Poverty-reducing social spending** comprises non-wage spending on national education (primary, secondary and higher education), health, social action (promotion of women and families, humanitarian actions), water and sanitation, microfinance (small and medium-sized enterprises and industries), agriculture, livestock and rural development. Only domestically financed spending is taken into account. Its execution is monitored on a payment-order basis during the program.

Ceiling on Spending using Extraordinary Procedures

- This ceiling is set at 7 percent of total spending excluding wage spending, debt service (principal and interest), and externally financed spending.

Ceiling on New External Concessional Debt Contracted or Guaranteed by the Government

- This ceiling is set at a cumulative CFAF 20 billion as of end-December 2023 and 2024.

C. Adjusters of Quantitative Performance Criteria

13. To take into account factors or changes that are essentially outside the government's control, **various quantitative performance criteria** will be adjusted as follows:

- If total revenue from privatizations, sales of financial assets or renewals of telecommunications licenses or forestry or oil licenses is greater than the amount programmed, the following adjustments will be made:

  i. The ceiling on net domestic financing of the government will be adjusted upward by an amount equivalent to 50 percent of these additional receipts;

  ii. The floor for the primary domestic fiscal balance will be adjusted downward by an amount equivalent to 50 percent of these additional receipts.

- If total budgetary support exceeds the amount programmed, the ceiling on net domestic financing of the government will be adjusted downward by an amount equivalent to 100 percent of the difference between the programmed and actual disbursements.

- If total budgetary support is less than the amount programmed, the ceiling on net domestic financing of the government will be adjusted upward by an amount equivalent to 100 percent of the difference between the programmed and actual disbursements.

D. Structural Benchmarks

Prior Actions

14. The only measure that must be implemented at least five days before the IMF board date for the first review is a request for an expedited written opinion from BEAC on the consistency of the Tokenization Law No 23-010 of July 24, 2023 with the CEMAC legal and regulatory framework, including the exclusive use of the Sango Coin and Bitcoin as the sole payment instrument for the transactions of tokenized assets through the Sango platform (Article 18) and the repatriation of benefits (Article 8).

Structural Benchmarks

First Review (October 2023)

- Operationalize key functions of the new IT system for domestic revenues, including online registration, online declaration, and electronic payments.
- Address fuel shortages and stabilize government revenues by: (i) calculating the hydrocarbon price structure while respecting the tax rates and quasi-tax rates defined in the tax code, the finance law, and the CEMAC directives; and (ii) signing an inter-ministerial decree with the new hydrocarbon prices in line with IMF TA recommendation on fuel prices.
- Establish a public debt coordination and management framework with IMF TA support.

Second Review (April 2024)

- Adopt a detailed institutional plan to strengthen the operational work of Agence Nationale d'Investigation Financière (ANIF) by addressing confidentiality, human, financial and technical resources issues.
- Transfer to the TSA all the funds collected directly by the ministries in exchange for services provided to users.
- Operationalize the cross-verification module of the new DGID IT system and interconnection with the customs computer system (SYDONIA World).
- Adopt the anti-corruption law submitted to parliament on February 4, 2022 (met)
- Consolidate all quasi-taxes into a single quasi-tax within the fuel price equation.
- Submit to the Cabinet a draft new organic law that regulates the statute and functions of the Court of Audit, in accordance with the IMF recommendations that it ensures its financial and operational independence.

Third Review (October 2024)

- Prepare a fiscal risk statement on the Sango project, disclosing existing fiscal commitments and assessing how the platform's activities could affect the government's fiscal position and overall debt sustainability, to be presented to the Cabinet. The assessment should be conducted following a framework developed with the support of the IMF TA and recommend legal measures to mitigate the risks identified.

- Pursuant to Art. 22 of the asset declaration law (n. 21.011) and Art. 4 of the anti-corruption law (n. 23.009), the Cabinet will adopt an implementing regulation to allow the Haute Autorité de la Bonne Gouvernance (HABG) to operationalize the asset declaration law with a focus on receiving and publishing asset declarations of senior public officials. The implementing regulation should include (i) a specific timeline for the operationalization of the asset declaration requirements at the latest by the end of 2025, (ii) a monetary threshold of at least 50 million FCFA for simplified declarations contemplated in Art. 22 of the asset declaration law, and (iii) asset declaration forms.

- Issue a ministerial decree outlining minimal criteria for official taxpayer recognition by the tax office.

- Conduct an audit of fuel procurement costs, including margins and fees, to establish optimal levels that reflect efficient operations by suppliers. Adapt the price structure based on the findings of this audit.

E. Reporting of Data to the IMF

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

Table 1. Central African Republic: Reporting of Data to the IMF under the Extended Credit Facility	
Description of data to be provided in Excel format	**Deadline**
Semi-annual evaluation report on qualitative indicators and structural measures (Tables 1 and 2 in the MEFP), accompanied by supporting documents.	Within four weeks of the end of each quarter
Monetary survey, monthly central bank and commercial bank accounts	Within four weeks of the end of each month
Table of the government's monthly cash flow operations, reconciled with the BEAC	Within 10 days of the end of each month
Government financial operations table (TOFE)	Within four weeks of the end of each month
Total monthly amount of domestic payments arrears on goods and services and on wages, including unpaid pensions and bonuses	Within four weeks of the end of each month
End-of-period stock of external debt	Within four weeks of the end of each month
Breakdown of expenditures included in the TOFE (goods, services, wages, interest, etc.)	Within four weeks of the end of each month
Summary table of actual expenditure in priority sectors, such as health, education, and security	Within four weeks of the end of each quarter
Breakdown of current and capital expenditure, whether domestically or externally funded	Within four weeks of the end of each quarter
Breakdown of revenues by institution and economic classification	Within four weeks of the end of each quarter
Revenue and expenditures netted out without a cash settlement (by expenditure and revenue type)	Within four weeks of the end of each quarter
Breakdown of debt service and external arrears, by principal and interest and by main creditors	Within four weeks of the end of each month
Amount of new non-concessional and concessional external debt contracted by the government	Within four weeks of the end of each month
Actual disbursements for projects and programs receiving foreign financial assistance and external debt relief granted by external creditors (including the date, amount, and creditor)	Within four weeks of the end of each month

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

October 16, 2023

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERIA, REPHASING OF ACCESS, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA).

Risk of external debt distress	High
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgement	No

The Central African Republic (CAR) remains at high risk of external debt distress and overall high risk of debt distress. Public debt is projected to be sustainable, though there exist substantial liquidity risks, as shown by relevant debt indicators, stemming from possible shortfalls in donor support and domestic/regional market access. The approval of the ECF-supported program in April 2023 catalyzed regional market financing, albeit the country still faces high uncertainty regarding external financing amidst geopolitical tension and the continued uncertainties created by the introduction of the law on cryptocurrencies and, more recently, on the tokenization of natural and land resources. Compared to the previous DSA,[1] domestic debt has increased due to ramped-up borrowing in the CEMAC regional debt market amid delayed donor budget support. The present value of debt-to-GDP is also elevated following data outturn in 2022 resulting in a breach in the threshold in 2024. While solvency indicators for external debt remain below thresholds, liquidity indicators for external debt (debt service-to-exports and debt service-to-revenue) exhibit breaches for 5 years starting in 2023, largely on

[1] The current DSA follows the revised Debt Sustainability Framework (DSF) for LICs and Guidance Note (2017) in effect as of July 1, 2018.

account of obligations to the Fund falling due. Sensitivity of debt indicators to standard stress tests, significant macroeconomic and financing uncertainty, and sizeable contingent liabilities are all considerations supporting the high-risk assessment. This assessment is predicated on the authorities' continued prioritization of and the ability to secure grant financing for essential current spending and developmental projects.[2]

PUBLIC DEBT COVERAGE

1. The coverage of public sector debt includes external and domestic contractual obligations of the central government, unchanged from the previous DSA. State and local governments do not borrow, there are no social security funds guaranteed by the public sector, and the government has not guaranteed other debt (Text Table 1). The coverage of public sector debt exhibits some gaps, notably non-guaranteed SOE debt and supplier arrears. Post HIPC arrears of the central government account for less than 1 percent of GDP. A full arrears determination is expected this year as the public sector begins a plan to negotiate with all creditors it has arrears in an attempt to resolve them. The limited debt coverage is symptomatic of capacity weakness to effectively collect debt data, thus limiting the scope for a full-scale debt analysis.

2. The implementation of the new legal framework governing SOEs would improve their financial oversight, which, along with other steps, should lead to better debt coverage going forward. Under the World Bank Sustainable Development Financing Policy (SDFP), the government has completed and published in 2021 the audits of the three largest state-owned enterprises operating in the energy, telecommunications, and water sectors (ENERCA, SODECA, SOCATEL). The objective of the audit was to assess their financial viability, increase the transparency in contingent liabilities reporting, and clarify the status of unaudited domestic arrears.[3] The government prepared and approved a cross-debt settlement plan for these SOEs based on these recent audits.[4]

3. The DSA includes a combined contingent liabilities stress test, which assumes a tailored shock at 15 percent of GDP aimed at capturing the public sector exposure to arrears, SOEs, and a financial market shock. This amount reflects the uncertainty about non-

[2] CAR's CI score based on the April 2023 World Economic Outlook (WEO) and the 2021 World Bank Country Policy Institutional Assessment (CPIA) data is 2.27, corresponding to a weak debt-carrying capacity (Text Table 4).

[3] Subsequently, as per the SDFP FY23 PPA#1, adopted in 2022, "the authorities plan to prepare and publish an annual report on the financial performance and fiscal risks associated with these three SOEs in order to avoid further fiscal outlays associated with weak financial performance of SOEs and improve debt management and transparency." The first annual report, released in April 2023 and covering the period from January to December 2021, offers crucial insights into corporate governance, internal controls, and the sustainability of the companies. It also aims to disclose consolidated financial and operational information to the public, with the overarching goal of averting potential arrears in the future. Furthermore, this report on the financial performance and fiscal risks of the three SOEs is expected to be annually updated and made available on the Ministry of Finance and Budget's website.

[4] The plan which covers a period from 2023 to 2025 is on hold due to significant treasury pressures with the absence of budget support from development partners owing to the absence of any commitment that sanctioned entities will not be financed from the budget or other public sources.

guaranteed SOE debt and arrears, potential additional domestic arrears, and financial market risks (Text Table 1), although CAR has started publishing detailed debt reports since the last DSA and the lastest one records CFAF 48.6 billion as debt of SOEs and CFAF 147.9 billion as arrears, by the second half of 2021. The contingent liabilities shock from SOE debt is set at 5 percent of GDP (instead of 2 percent for its default value) to reflect heightened risks associated with non-guaranteed SOE debt and potential expenditure arrears. The shock from domestic arrears is set at 5 percent of GDP to incorporate past and persisting shortcomings in the country's public expenditure management systems. The financial market risk shock has been calibrated and is kept at the default value of 5 percent of GDP, given the small size and depth of the financial sector in CAR.

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

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

The country's coverage of public debt	The central, state, and local governments plus social security, central bank, government-guaranteed debt		
	Default	Used for the analysis	Reasons for deviations from the default settings
Other elements of the general government not captured in 1.	0 percent of GDP	5.0	Possible domestic payment arrears not included in debt stock
SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	5.0	Limited information on SOE's financial position
PPP	35 percent of PPP stock	0.0	
Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)		15.0	

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

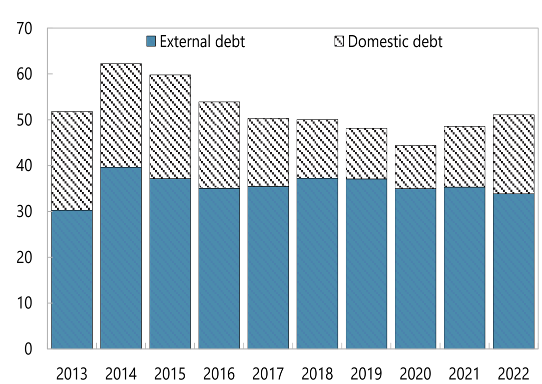
Source: IMF staff estimates and country authorities

BACKGROUND ON DEBT

4. **CAR's public and publicly guaranteed (PPG) debt increased in 2022, largely driven by the pick-up in domestic debt.** After gradually declining to 44.4 percent of GDP in 2020, public sector debt increased to 48.6 percent of GDP in 2021 and to 54.2 of GDP in 2022, on account of a conjunction of negative shocks: the security crisis, the COVID-19 pandemic, and the pause in donor-financing owing to fiscal transparency concerns (Text Figure 1). Public debt is estimated to decline to about 50 percent of GDP in 2023 led by a fall in

Text Figure 1. Evolution of Public Sector Debt, 2013–22

(Percent of GDP)



Source: IMF Staff estimates and country authorities.

external debt which represents about 60 percent of CAR's total public indebtedness.[5]

5. **Most of the increase in public debt since 2020 has been driven by higher domestic borrowing.** The domestic debt consisting of statutory and exceptional advances from the Bank of Central African States (BEAC) have been consolidated into one loan. In 2021, BEAC restructured the CFAF 80.5 billion debt via an extension of the grace period to 2025 (instead of 2022) and of the maturity to 20 years (from 10 years). To make up for the shortfall in budget support and to cover funding needs, debt issuances in the CEMAC regional market picked up significantly in 2021 and 2022. Given additional issuance of domestic securities and use of SDR allocation in 2022, domestic debt is estimated to have reached 18.2 percent of GDP that year. In 2023, domestic debt should stand at about 20 percent of GDP. Subscription rates this year have increased from an average of less than 20 percent during the first quarter, to around 70 percent right after the approval of the current ECF-supported program, and to 100 percent for a CFAF 25 billion-syndicated regional issuance executed in August. Still, yields on 3-year issuances (the most frequently used instrument) have hovered around 11 percent, among the highest in CEMAC. This highlights the need to attract donor support to protect debt service capacity.

6. **By May 2022, CAR had drawn down its 2021 SDR allocation in three tranches to support the budget.** In December 2021, as donor support was further delayed, CAR made a first draw-down of the 2021 SDR allocation of CFAF 35 billion (SDR 44.5 million), which was used to cover some recurrent expenditures (civil servant wages) and to repay part of domestic arrears. In 2022, as budget support remained undisbursed and faced with a sharp terms of trade deterioration, the CAR authorities made one more drawing in March for CFAF 20 billion (SDR 25 million) and the final one in May for the remainder of CFAF 30.5 billion (SDR 37.3 million). The SDR use in 2021 and 2022 is recorded as domestic debt and adjusted to be on present value terms.

7. **External debt is estimated to have reached 36 percent of GDP at the end of 2022, driven mainly by the depreciation of the CFAF.** The authorities have refrained from contracting or disbursing any new external non-concessional debt consistently with the World Bank's SDFP in line with Fund advice and the Staff Monitored program (SMP) commitments for the authorities' commitment to zero non-concessional borrowing.[6] In particular, they have not made any drawings on the non-concessional project finance loan with the regional development bank (BDEAC) for CFAF 15 billion, signed in September 2021. In line with previous disbursement schedules, they drew a CFAF 1.22 billion tranche of a 2015 concessional

[5] A loan of $20 million contracted by CAR in 2014 from Angola has been added to the debt stock resulting in a slight uptake in external debt stock. Data outturn for 2022 points to around 2 percentage points higher public debt-to-GDP ratio compared to the previous Staff Report, further increasing debt related risks.

[6] The PPA#2 of the SDFP for FY23 is as follows: To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).

project loan financed by the Saudi Development Fund. In line with these developments, the most significant adverse driver of external debt developments has been the exchange rate effect.

8. Debt owed to multilateral creditors and pre-HIPC arrears continue to account for the bulk of external debt (See Text Table 2). Multilateral creditors, mainly the IMF and the World Bank, held close to 60 percent of external debt in 2022. CAR has a large stock of officially recognized pre-HIPC arrears amounting to 8 percent of GDP, that pre-date the Completion Point of the HIPC initiative with non-Paris Club creditors (Argentina, Equatorial Guinea, Iraq, Libya, and Taiwan, Province of China). Total bilateral debt amounts to about 13 percent of GDP, with India, China, Saudi Arabia, Kuwait, Angola and Congo being the main creditors. Debt to private creditors is negligible. This debt is included in the baseline.

9. CAR benefited from several rounds of debt relief from both bilateral creditors and the IMF. In 2020, the country benefited from a debt cancellation operation granted by China for about 0.8 percent of GDP and a 90-percent principal reduction and rescheduling of the debt owed to Energoprojekt (Serbia) for about 1.7 percent of GDP. During the pandemic, under the G20's COVID-19 Debt Service Suspension Initiative (DSSI) (May 2020-December 2021), an amount of US$7 million was rescheduled.[7] CAR also received assistance in respect of debt service covering all payments falling due to the IMF from April 14, 2020, to April 13, 2022, under the Catastrophe Containment and Relief Trust (CCRT), amounting to US$18.4 million.

10. CAR has accumulated arrears to Angola and OFID. While there is a credible plan to resolve the arrears with OFID, that of Angola is a subject of negotiation with the Angolan authorities for a path towards clearing the arrears.[8] Some small external arrears amounting to US$0.15 million were also accumulated with the International Fund for Agricultural Development (IFAD) starting in December 2020 but were cleared in March 2021. This was caused by coordination challenges between the Debt Directorate and the Treasury but also by delays in fully setting up the new BEAC's software for international wires—which are now addressed thanks to the technical assistance provided by BEAC regarding the use of its new software.

[7] India, China, and Saudi Arabia participated in the G20 Debt Service Suspension Initiative to CAR, along with Kuwait.

[8] Arrears to Angola and OFID are deemed away for the purpose of assessing debt sustainability given their small amount (about USD 14 million i.e., less than 1% of GDP)

Text Table 2. Central African Republic: Composition of Public Sector Debt, 2022-2024[1]

(Percent of GDP)

	Debt Stock (end of period)			Debt Service					
	2022			2022	2023	2024	2022	2023	2024
	(mil US$)	(Percent total debt)	(Percent GDP)	(In US$)			(Percent GDP)		
Total	1338.7	100.0	54.2						
External	888.5	66.4	36.0	35.4	42.8	55.3	1.4	1.5	1.9
Multilateral creditors[2,3]	532.0	39.7	21.5	15.4	30.2	41.9	0.6	1.1	1.4
IMF	269.3	20.1	10.9	11.7	23.6	34.8	0.5	0.8	1.2
World Bank	124.7	9.3	5.0	2.6	3.5	3.9	0.1	0.1	0.1
ADB/AfDB/IADB	15.2	1.1	0.6	0.1	0.1	0.1	0.0	0.0	0.0
Other Multilaterals	122.9	9.2	5.0	2.2	3.8	3.8	0.0	0.1	0.1
o/w: FIDA	17.1	1.3	0.7	1.1	3.0	3.0	0.0	0.0	0.0
o/w: BDEAC	10.7	0.8	0.4	0.4	0.0	0.0	0.0	0.0	0.0
o/w: BADEA	85.8	6.4	3.5	0.7	0.8	0.8	0.4	0.2	0.2
Bilateral Creditors[2]	332.1	24.8	13.4	10.0	6.3	6.7	0.4	0.2	0.2
Paris Club	0.0	0.0	0.0	0.0	0.0	0.0			
o/w: list largest two creditors									
list of additional large creditors									
Non-Paris Club	332.1	24.8	13.4	10.0	6.3	6.7	0.4	0.2	0.2
o/w: pre-HIPC arrears	207.4	15.5	8.4	0.0	0.0	0.0	0.0	0.0	0.0
o/w: India	42.0	3.1	1.7	0.0	1.6	2.0	0.0	0.1	0.1
o/w: Saudi Arabia	29.5	2.2	1.2	1.0	1.5	1.3	0.0	0.1	0.0
o/w: Kuwait	19.4	1.4	0.8	0.1	0.1	0.1	0.0	0.0	0.0
o/w: China	14.7	1.1	0.6	2.0	2.1	2.1	0.1	0.1	0.1
o/w: Congo	2.9	0.2	0.1	6.0	0.0	0.0	0.2	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: list largest two creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
list of additional large creditors									
Other international creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: list largest two creditors									
list of additional large creditors									
Domestic	450.2	33.6	18.2	25.8	53.5	48.0	1.0	2.2	1.9
Held by residents, total	450.2	33.6	18.2	25.8	53.5	48.0	1.0	2.2	1.9
Held by non-residents, total									
T-Bills	8.1	0.6	0.3	12.1	8.4	0.0	0.5	0.3	0.0
Bonds	128.5	9.6	5.2	3.4	34.5	37.7	0.1	1.4	1.5
Loans	313.6	23.4	12.7	10.3	10.5	10.4	0.4	0.4	0.4
Memo items:									
Collateralized debt[4]									
o/w: Related									
o/w: Unrelated									
Contingent liabilities									
Nominal GDP	2469.5						2469.5	2783.7	2962.2

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA, except for missing entities if applicable.

2/Some public debt is not shown in the table due to confidentiality clauses/capacity constraints.

3/Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral. Data on this are not currently available for CAR.

Source: IMF Staff calculations and country authorities.

UNDERLYING MACROECONOMIC ASSUMPTIONS

11. **Compared to the previous DSA, near-term risks have remained stable as a regained regional market access has been balanced by high security and geopolitical risks as well as the passage of the law for the tokenization of natural and land resources.** Donors have been withholding budget support since 2021 due to transparency concerns.[9] The

[9] Donors have stipulated three conditions for budget support to resume, including: a commitment that sanctioned entities will not be financed from the budget or other public sources, improved mechanisms for

(Continued)

continued standstill in budgetary support weighed on the resumption of IMF financing under the ECF arrangement and future financing owing to the lack of financing assurances and the risks of accumulating external arrears. The tokenization law was promulgated in July 2023, but implementing decrees are yet to be introduced. The legislation provides the legal, economic and technical framework for the tokenization of mineral resources, lands and forests through the SANGO platform. The legislation could raise multifaceted risks that ought to be mitigated as part of the ECF-supported program. These risks include issues related to transparency, financial integrity, and fiscal risks.

12. **Against this background, CAR has faced difficulties covering its financing needs since 2021.** The financing outlook hinges on the government's ability to adhere to the ECF-program targets while fostering good governance, transparency, and financial integrity to protect market access and eventually catalyze much-needed donor support. If the authorities do not meet those goals, acute financing needs are expected to emerge, likely prompting a very steep spending adjustment across the board. Such a disorderly adjustment will inflict significant hardship on the population.

13. **Compared to the previous DSA, near- and medium- term macroeconomic projections have been revised to account for lower growth.**

Growth

- Real GDP growth stagnated at 1.0 percent in 2021 following the combination of the COVID-19 pandemic and renewed insecurity amid post-election disputes. The economy grew by just 0.5 percent in 2022, adversely affected by fuel shortages. For 2023, real GDP growth is projected at 1 percent – down from 2.2 percent in the prior DSA – as fuel shortages early in the year hindered manufacturing and transportation by more than expected. The downside risks to the outlook are significant. For example, a deterioration in security could disrupt economic activity and cause significant revenue and donors' financing shortfalls.

- The medium-term growth projection has been revised downward to 1.5 percent for 2024 (from 3 percent in the prior DSA) and 2.5 percent for 2025 (from 3.8 percent). This downward revision reflects a more gradual recovery in the domestic fuel market than originally envisaged amid a more challenging global environment. Growth for 2026 and 2027 remains overall unchanged at 3.7 percent.

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budget transparency, and conducive security and governance conditions. The World Bank SDFP provides an avenue to tackle the issues related to budget transparency via FY24 PPAs and onwards. Some additional progress on budget transparency has been accomplished toward building a reliable payroll database (GIRAFE) and increasing the integrity of the system underpinning public wage bill management. Moreover, the government has shown commitment to introducing a new, fully-fledged human resource management (HRM) information system (HRMIS) with the support of the World Bank-financed Public Sector Digital Governance Project (Projet de Gouvernance Numérique du Secteur Public or PGNSP).

- Long-term growth (2028-42) is still projected at 3.2 percent, supported by the assumed normalization of relations with the international community, progressive restoration of security with the peace agreement, gradual redeployment of public services to the provinces, domestic arrears clearance, increase in public and private investments, and improvement in human capital and productivity thanks to steadfast implementation of reforms and ongoing investment projects.[10]

Inflation

- Average inflation reached 5.6 percent in 2022, in line with the uptick in fuel and commodity prices, due to the impact of Russia's war in Ukraine and CAR's high dependency on commodity imports. The inflation projection for 2023 was raised from 6.3 percent in the prior DSA, to 6.5 percent. Fuel shortages had already pushed up inflation to 7.1 percent in March. Inflation would subsequently decline gradually towards the CEMAC's 3 percent convergence criterion, provided that fuel supply improves and the trade corridor with Cameroon remains active.

Public Finances

- For 2021 and 2022, overlapping crises and the continued standstill in budgetary support resulted in a difficult budget situation. Most of the financing needs for 2022 are estimated to have been covered by the use of the SDR allocation, with the residual being met by the borrowing from domestic and regional markets. In 2023, the financing gap has been thus far covered through issuances of debt in the regional market[11] coupled with a credit line with a local bank, as well as IMF financing. Financing from the IMF[12], World Bank, and the African Development Bank are expected to cover financing needs during the last quarter of the year.

- In the medium term (2024-2027), budget support grants are expected to gradually increase to 3.0 percent of GDP on the assumption that the government will reach an

[10] For instance, the World Bank approved in June 2022, a $138 million grant to improve access to electricity, strengthen the sector and promote the provision of off-grid solar systems for schools, hospitals, administrative centers, and agricultural purposes and $70 million in financing to strengthen and improve the quality of health care to more than 40 percent of the CAR population. Several projects have also been approved over the past years to boost agricultural productivity, support agribusiness, private sector development, digital governance, and the quality of education. The World Bank will use its ongoing portfolio to finance certain non-discretionary government expenditures, including wages and salaries, in critical service delivery areas.

[11] As a structural benchmark under the new ECF arrangement, authorities will set up a framework to coordinate domestic issuance and other debt management issues.

[12] Part of IMF access during the life of the program will be deposited in an escrow account at the BEAC and will supplement a World Bank's wage payment operation. In line with the World Bank, the Fund disbursements will benefit from verification processes and safeguarded disbursement arrangements to limit the risk of ineligible expenditures.

agreement with the main donors to unblock their financing.[13] In addition, revenue mobilization is anticipated to increase by an average of 0.6 percent of GDP per year, chiefly led by a streamlining in tax exemptions, a bolstering in revenues at customs, and continued efforts to recover past-due taxes in line with the ECF program targets. At the same time, expenditures are expected to remain overall stable as a percentage of GDP. As a result, the fiscal primary balance (including grants) for 2027 was left unchanged at around a surplus of 1 percent of GDP (from a deficit of 2.5 percent of GDP for 2024). Most of financing needs in 2024 and 2025 would still be covered through the regional debt market, while in 2026 and 2027 it is anticipated that external concessional borrowing would have been resumed.

- In the long term (2028-42), domestic revenues (government revenues excluding grants) are assumed to follow a gradual upward trend, reaching 13.7 percent of GDP at the end of the projection period. The projections on domestic revenue collection hinge on the implementation of fiscal structural reforms and technical assistance in data collection and standards. The current revenue reforms to be implemented include to i) incorporate the external data cross-verification module, which will optimize the performance of the new electronic tax system and improve tax collection; ii) consolidate in a single levy numerous taxes and levies imposed on fuel destined to finance much-needed infrastructure; iii) incorporate all fees and expenses of services (minor revenue) collected by the various ministries in the Treasury Single Account (TSA); and (iv) broaden the usage of new software (SYDONIA World) to register customs operations. Budget support grants are assumed to decline to 1 percent of GDP, to account for the fact that IDA regular credit terms should be applied in the projection horizon for which World Bank grant financing has not already been committed[14]. The primary fiscal deficit is expected to decline gradually to 0.4 percent of GDP over the long run, reflecting fiscal

Text Table 3. Central African Republic: Macroeconomic Assumption

	Proposed DSA-ECF arrangement (1st review)		The current DSA-2022 AIV and ECF request	
Percent of GDP, unless otherwise indicated	2021-27 average	2028-42 average	2021-27 Average	2028-42 Average
GDP growth (percent)	2.0	3.2	2.6	3.2
GDP deflator (percent)	3.8	2.5	2.9	2.5
Non-interest current account balance	-8.0	-6.7	-8.0	-6.7
Exports of goods and services	15.0	16.9	14.9	16.6
Primary balance	-2.1	-0.8	-2.0	-1.0
Revenues and grants	15.3	14.9	15.1	15.0
Source: IMF staff projections.				

[13] The agreement would assume an adequate macro-framework, the presence of an IMF program, conducive security and governance conditions are in place.

[14] The availability of World Bank financing is also linked to other conditions, such as, for example, the availability of IDA resources, and the adequacy of the macro-economic policy framework in the case of a potential budget support operation.

consolidation and the implementation of other fiscal reforms. About one half of the financing needs is assumed to be covered through external concessional borrowing—with a gradually decreasing degree of concessionality—and another half through domestic borrowing.

External

- The current account balance deteriorated in 2021 to an 11.1 percent of GDP deficit, due mainly to the non-disbursement of donors' budget support, the security crisis, and higher import prices. In 2022, the current account deteriorated further to -12.8 percent of GDP, driven mainly by an 8.4 percent drop in terms of trade (due to both fuel and food price shocks). Over the medium term, the current account is expected to converge to a 4.5 percent of GDP deficit by 2027, owing to the expected fiscal adjustment and an increase in exports as a result of reforms geared toward improving economic diversification and adding value to existing exports consistent with their medium term development agenda.

- The SDR allocation helped generate a small balance of payment surplus in 2021. The nearly 6 percent of GDP in SDR allocation compensated for the decline in official public transfers. However, the lack of donor financing in 2022, coupled with the exhaustion of the SDR allocation and the large trade deficit, led to a balance of payments deficit of about 7.8 percent of GDP.

- In the medium term, official budget support transfers are expected to resume, project-support transfers remain relatively solid, while FDI inflows are projected to increase moderately to about 1.5 percent of GDP. Overall, the balance of payments is projected to reach a moderate surplus of around 2.6 percent of GDP by 2027.

REALISM OF THE BASELINE ASSUMPTIONS

14. The drivers of debt dynamics tool show a broadly unchanged trajectory for external PPG debt and public debt compared with the previous DSA. The projected evolution of external debt is similar to the trajctory in the previous DSA. The decompositions of past and projected debt-creating flows for external debt are similar, while the unexpected changes in external debt over the past 5 years are close to the median relative to the distribution across LICs. The path of public debt is also similar compared to the previous DSA, the projected debt-creating flows show a higher contribution of unexpected primary deficits to debt accumulation compared to the past. In terms of the contribution of past forecast errors, they are above the median compared with other LICs.

15. Realism tools flag risks around the baseline scenario stemming from the growth projection, the projected fiscal consolidation, as well as the long-term private investment outlook (Figure 4). The envisaged fiscal path in terms of the projected 3-year primary balance adjustment is in the top quartile relative to the comparison group, thus appearing relatively ambitious when compared with the experience in other LIC countries. Growth in 2023 appears strong given the fiscal consolidation for standard values of the fiscal multipliers. This is explained by the fact that growth is mostly driven by the private sector rebound after the fuel shock shortage is resolved, in particular driven by the primary sector (agriculture, mineral extraction). The growth/investment tool shows that in both the current and the past DSA, over time, there is a switch from public to private investment as a driver of growth, consistent with the pattern observed in countries at the same stage of development. This is consistent with the chart on the contributions to growth, which also shows that in comparison with its historical contribution, public investment is expected to play a declining role in explaining future growth, with other sources of growth more than offsetting this decline.

COUNTRY CLASSIFICATION AND STRESS TESTS

16. CAR' s debt carrying capacity is assessed as weak, unchanged from the last DSA in April 2023. The country's composite indicator (CI) is 2.27 a decline from 2.33 mainly as a result of the downgrade in WEO outlook component and the stagnation of the CPIA overall score based on the April 2023 World Economic data and 2021 CPIA scores (text table 4). Under weak debt carrying capacity, the thresholds applicable to the public and publicly guaranteed external debt are 30 percent for the PV of debt-to-GDP ratio, 140 percent for the PV of debt-to-exports ratio, 10 percent for the debt service-to-exports ratio, and 14 percent for the debt service-to-revenue ratio. The benchmark for the PV of total public debt is 35 percent of GDP.

Text Table 4. Central African Republic: Calculation of Composite Indicator and Thresholds

Country	Central African Republic
Country Code	**626**

Debt Carrying Capacity	**Weak**

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.27	Weak 2.25	Weak 2.33

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	140
GDP	30
Debt service in % of	
Exports	10
Revenue	14

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.571	0.99	44%
Real growth rate (in percent)	2.719	2.667	0.07	3%
Import coverage of reserves (in percent)	4.052	28.148	1.14	50%
Import coverage of reserves^2 (in percent)	-3.990	7.923	-0.32	-14%
Remittances (in percent)	2.022	0.078	0.00	0%
World economic growth (in percent)	13.520	2.856	0.39	17%
CI Score			2.27	100%
CI rating			**Weak**	

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

DEBT SUSTAINABILITY

A. External Debt Sustainability Analysis

17. **Relative to the previous DSAs, external debt solvency indicators remain broadly similar (Figure 1).** The present value of the external debt-to-GDP ratio is on a declining trajectory and remains well below the relevant threshold under the baseline scenario. However, it comes close to breaching the threshold for the most extreme standardized stress test (a combination of a shock to growth, the primary balance, exports, other non-debt creating flows, and exchange rate depreciation). The present value of the debt-to-exports ratios declines from close to the 140 percent threshold to well below it in the medium term. These developments are due to a combination of factors: lack of the disbursements of IMF financing due to the prior ECF Arrangement going off-track, the bilateral and multilateral debt relief during the pandemic, as well as to the fact that some previously unidentified concessional financing was replaced with the SDR allocation (counted as domestic debt), which have more

than outweighed the impact of the CFAF depreciation. Setting key variables to their historical average would result in a clear upward trend of both debt ratios, mainly because of the large shocks and conflicts that occurred in the past (such as the 2013 crisis).

18. While liquidity indicators of the external PPG debt breach their thresholds for 5 years from 2023 under the baseline scenario, there are mitigating factors. The external debt service-to-exports and the debt-to-revenue ratios both breach their respective threshold for 5 years starting in 2023, respectively, driven by a significant uptick in debt service, primarily related to an increase in repayments to the Fund in that period (Figure 1). There are heightened risks in 2023 as liquidity indicators breach their thresholds by a higher margin compared to the previous DSA as a result of increased debt payment obligation to OPEC Fund for International Development (OFID) due to the recent recognition of arrears due to them. CAR is part of CEMAC and has access to its pool of reserves (provided it has budgetary resources to purchase them), and also has access to CEMAC domestic debt market. Subject to successful ECF-supported program implementation, large repayments to the Fund, which cause high liquidity ratios, are feasible based on program financing assumptions. As expected, more significant and persistent breaches of the external debt service-to-exports ratio and the external debt service-to-revenue ratio would happen under the historical scenario and the most extreme standardized stress test (standardized shocks to exports and to growth, respectively).

B. Public Debt Sustainability Analysis

19. Driven by the surge in domestic debt, the total public debt indicators are high but remain below the relevant threshold (Figure 2). The present value of the debt-to-GDP ratio is on a higher path. Data outturn in 2022 has heightened debt vulnerability as the PV of debt-to-GDP breaches its threshold in 2024 before gradually declining until 2027 and broadly stabilizing thereafter. However, this forecast is predicated on conservative financing assumptions that financing gaps are to be covered by domestic debt, while renewed donor support would result in substantially more favorable dynamics. The PV of the debt-to-revenue ratio is on a declining path and stabilizing after 2029. The debt-service-to-revenue and grants ratio will increase to about 60 percent by 2025 and remain elevated, reflecting particularly higher domestic debt service payments. A standardized shock to growth would trigger a breach of the threshold for the PV of the debt-to-GDP ratio and lead to a significant increase of the PV of the debt-to-revenue ratio.[15] The worsening of the macroeconomic outlook (e.g., if donor budget support does not resume in the medium term) would exacerbate domestic arrears accumulation and aggravate risks from vulnerable SOEs. Their contingent liabilities will severely affect the budget and, ultimately debt risks.

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

RISK RATING AND VULNERABILITIES

20. CAR remains at high risk of external debt distress and overall high risk of debt distress, but debt is assessed to be sustainable. The rating is driven by the persistent breaches in the medium term of the thresholds for both the external debt service-to-export and external debt service-to-revenue ratios under the baseline scenario. This points to potential liquidity problems, which have remained significant since the last DSA by the continued standstill in budget support, the confluence of adverse shocks (security and terms of trade) and their impact on the macroframework, as well as the more recent fiscal revenue decline linked to fuel shortages. As a result, public debt is anticipated to remain slightly higher compared to the prior DSA through 2027 by an average of 0.4 percent of GDP per year.

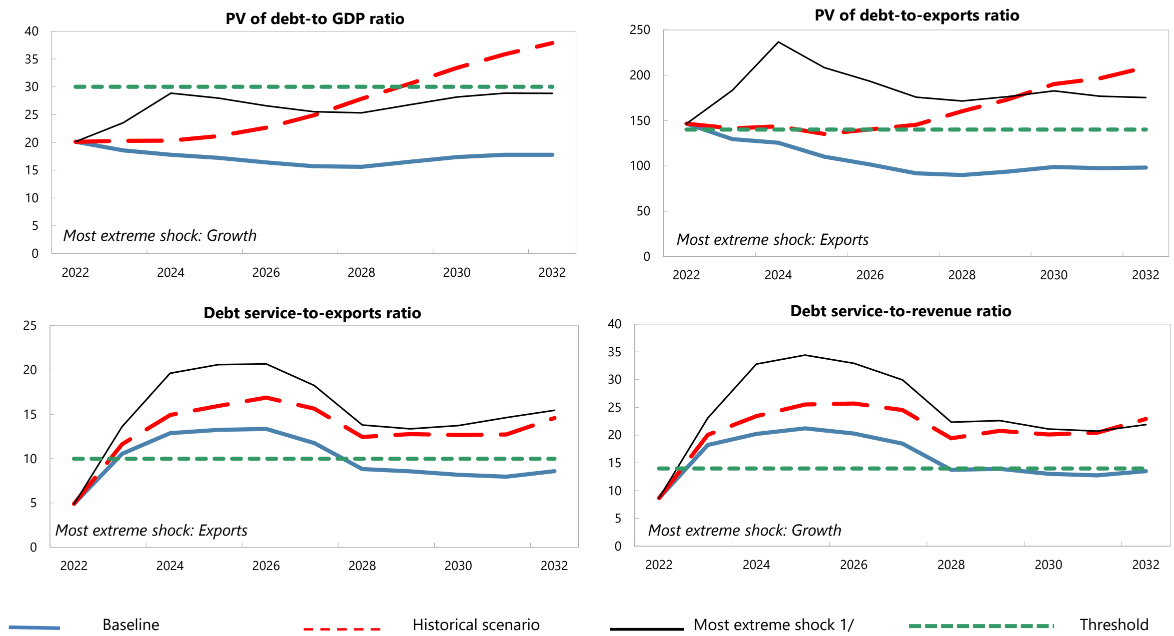
21. A few other considerations support the high-risk assessment. Macroeconomic projections are particularly uncertain in the near term, as the country is buffeted by overlapping crises and the full resumption of donor support continues to be delayed. Significant fiscal adjustment will be required over the medium term amid limited external financing options. The recently passed crypto law has elicited broad criticism from regional financial authorities and further damaged the country's reputation and prospects for immediate budget support. While the country has been increasingly tapping domestic CEMAC markets in 2021-23, large financing needs in 2024 and 2025 can exacerbate rollover risks. Further delays in the resumption of budget support would raise the risk of disorderly fiscal adjustments, weighing on growth, potentially triggering a total loss of access to the regional market, with debt sustainability repercussions.

22. Public debt is projected to be sustainable, though there exist substantial liquidity risks, as shown by relevant debt indicators, in the possible absence of sufficient donor support and domestic/regional market access. The DSA underscores the urgency of fiscal measures to strengthen revenue and renewed efforts to restore relations with donors to ensure sustainability. In the short term, fiscal prudency amid the support from the World Bank and the African Development Bank, as well as a disbursement under the ECF, are expected to help close the 2023 financing gap. The country still enjoys access to the liquid domestic CEMAC market, so additional domestic borrowing could be used to cover any additional gaps and the ample pool of regional foreign exchange reserves mitigates repayment risks. However, ensuring medium-term debt sustainability requires that the country reaches agreement with donors to unlock budget support and pursue a successful execution of the UCT (Upper Credit Tranche) program. Disbursing the highly non-concessional BDEAC loan signed in 2021 would worsen external debt sustainability indicators and staff continue to advise against it.

AUTHORITIES VIEWS

23. The authorities broadly agreed with the assessment contained in the report. They agreed that debt sustainability hinges on the successful implementation of reforms under the ECF-supported program. A sustainable fiscal consolidation that is revenue led, as well as structural reforms to enhance governance and transparency, is critical for revenue mobilization and unlocking donor support. They also agreed that grant financing, as well as external concessional financing, is needed to ensure debt sustainability in additional to better capacity development in the area of debt management.

Figure 1. Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2022-2032



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	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.

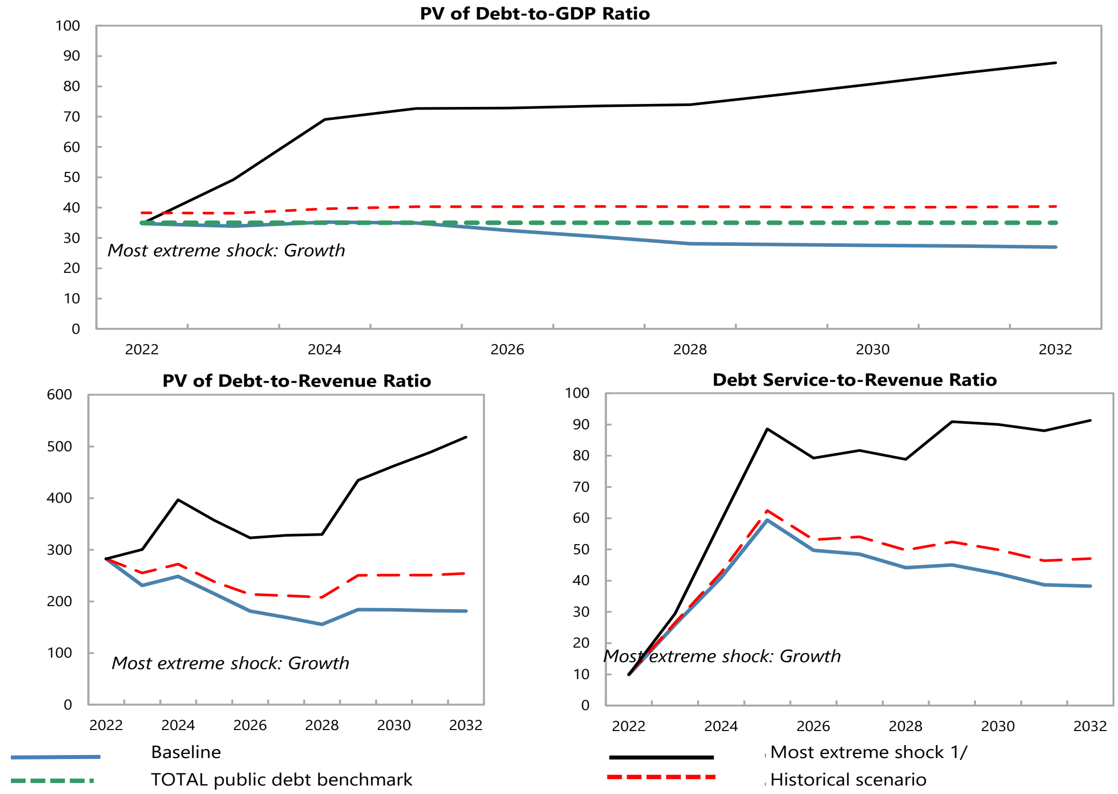
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	25	25
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 2032. 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.

Figure 2. Indicators of Public Debt Under Alternatives Scenarios, 2022-2032



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	35%	60%
Domestic medium and long-term	65%	14%
Domestic short-term	0%	26%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.8%
Avg. maturity (incl. grace period)	25	30
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.0%	5.4%
Avg. maturity (incl. grace period)	5	2
Avg. grace period	2	1
Domestic short-term debt		
Avg. real interest rate	0.0%	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.

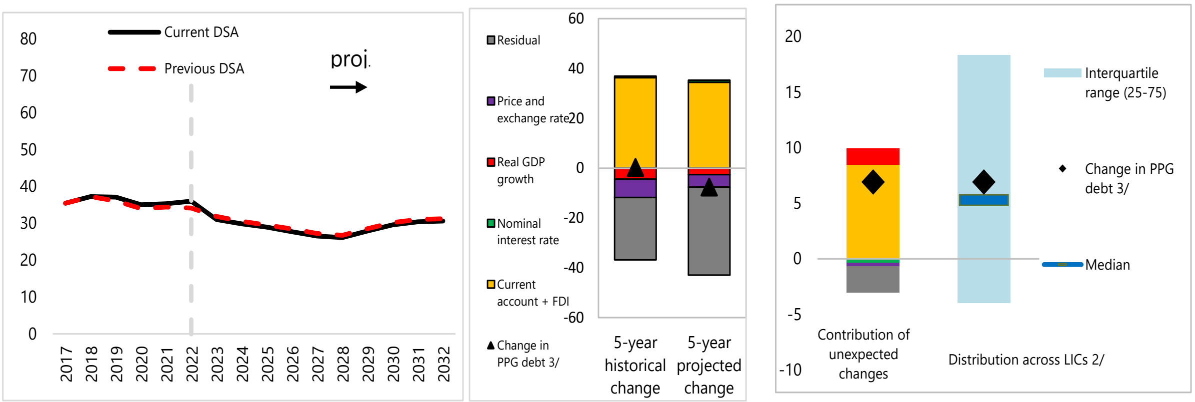
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. 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.

Figure 3. Drivers of Debt Dynamics Baseline Scenario

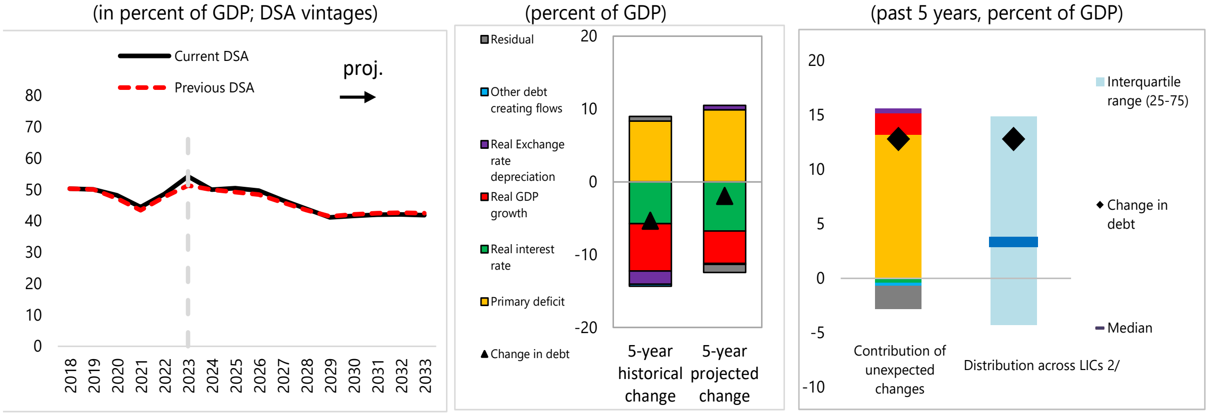
External Debt

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)



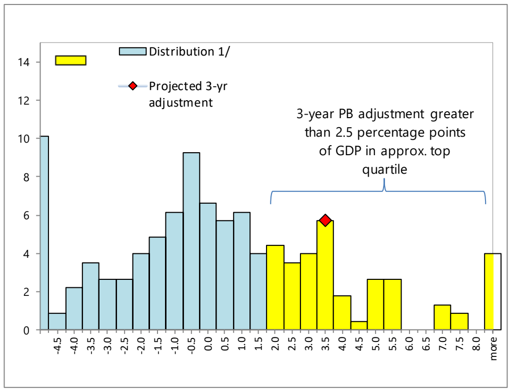
1/ Difference between anticipated and actual contributions on debt ratios.

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.

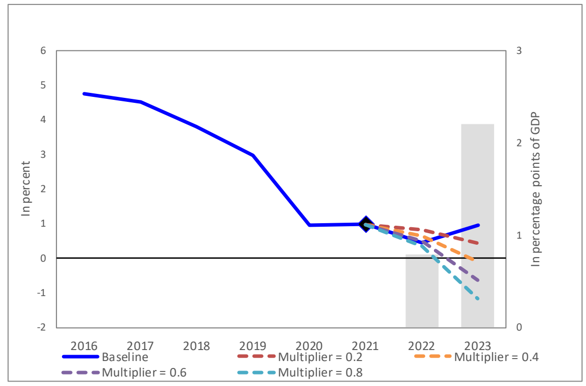
Figure 4. Realism Tools

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



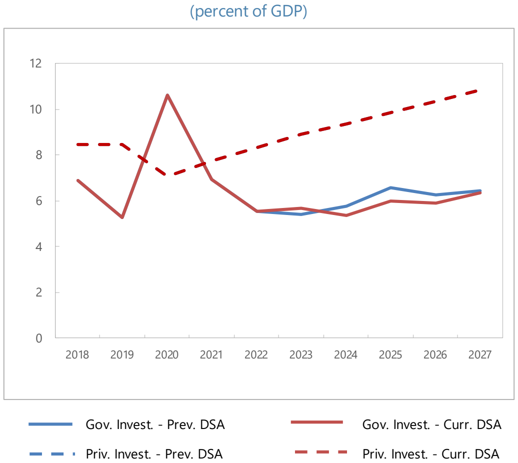
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

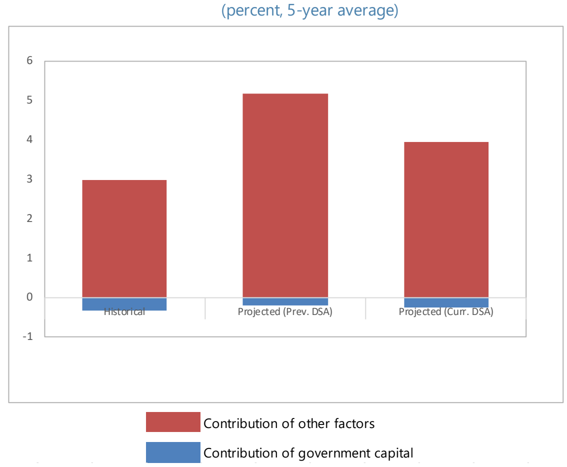


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



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



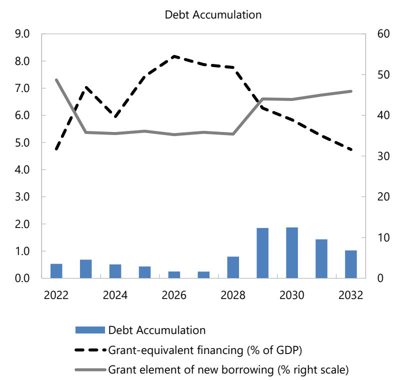
Source: IMF staff projections

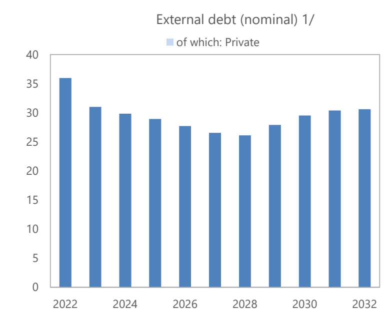
Table 1. Central African Republic: External Debt Sustainability Framework, Baseline Scenario, 2019-2042

(In percent of GDP, unless otherwise indicated)

	Actual				Projections							Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	**37.1**	**35.0**	**35.3**	**36.0**	**31.0**	**29.8**	**28.9**	**27.7**	**26.5**	**30.6**	**29.3**	**34.2**	**29.5**
of which: public and publicly guaranteed (PPG)	**37.1**	**35.0**	**35.3**	**36.0**	**31.0**	**29.8**	**28.9**	**27.7**	**26.5**	**30.6**	**29.3**	**34.2**	**29.5**
Change in external debt	-0.1	-2.1	0.3	0.7	-5.0	-1.2	-0.9	-1.2	-1.2	0.2	-2.9		
Identified net debt-creating flows	**3.8**	**6.4**	**8.2**	**11.6**	**6.9**	**6.5**	**4.8**	**3.0**	**1.9**	**3.7**	**3.8**	**6.4**	**4.7**
Non-interest current account deficit	**4.8**	**8.0**	**11.0**	**12.6**	**8.4**	**8.1**	**6.7**	**5.2**	**4.3**	**6.3**	**6.8**	**7.4**	**6.8**
Deficit in balance of goods and services	18.3	19.4	18.2	20.0	17.2	16.8	16.4	16.0	15.1	15.1	12.4	**16.4**	**16.1**
Exports	15.7	14.0	13.7	13.7	14.3	14.2	15.6	16.1	17.1	18.1	15.8		
Imports	34.1	33.3	31.9	33.7	31.5	31.0	32.1	32.2	32.2	33.2	28.2		
Net current transfers (negative = inflow)	-13.6	-11.3	-7.2	-7.4	-9.0	-8.9	-9.9	-10.9	-10.9	-8.6	-5.3	**-9.0**	**-9.3**
of which: official	-7.3	-6.8	-1.9	-2.0	-3.5	-3.0	-4.0	-5.1	-5.1	-2.6	-1.3		
Other current account flows (negative = net inflow)	0.0	0.0	0.0	0.0	0.2	0.2	0.1	0.1	0.1	-0.1	-0.4	**0.0**	**0.1**
Net FDI (negative = inflow)	**-1.1**	**-0.1**	**-0.2**	**-1.0**	**-1.4**	**-1.4**	**-1.4**	**-1.4**	**-1.6**	**-2.0**	**-2.4**	**-0.9**	**-1.6**
Endogenous debt dynamics 2/	**0.2**	**-1.6**	**-2.6**	**0.0**	**-0.1**	**-0.2**	**-0.5**	**-0.8**	**-0.8**	**-0.6**	**-0.6**		
Contribution from nominal interest rate	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.4		
Contribution from real GDP growth	-1.1	-0.3	-0.3	-0.2	-0.3	-0.4	-0.7	-1.0	-1.0	-0.9	-1.0		
Contribution from price and exchange rate changes	1.1	-1.4	-2.3	...	...	...	...	...	...	...	...		
Residual 3/	**-4.0**	**-8.5**	**-7.9**	**-10.9**	**-11.9**	**-7.7**	**-5.7**	**-4.2**	**-3.1**	**-3.5**	**-6.6**	**-3.7**	**-5.2**
of which: exceptional financing	0.0	-0.5	-0.4	-0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**18.6**	**20.1**	**18.6**	**17.8**	**17.2**	**16.4**	**15.7**	**17.8**	**19.8**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**136.0**	**146.6**	**129.5**	**125.6**	**110.2**	**101.6**	**91.9**	**98.0**	**125.6**		
PPG debt service-to-exports ratio	**3.7**	**3.7**	**3.5**	**4.9**	**10.6**	**12.9**	**13.3**	**13.4**	**11.8**	**8.6**	**6.7**		
PPG debt service-to-revenue ratio	**6.6**	**5.6**	**5.5**	**8.7**	**18.2**	**20.2**	**21.2**	**20.3**	**18.5**	**13.5**	**7.7**		
Gross external financing need (Million of U.S. dollars)	96.3	202.7	291.1	302.6	234.3	252.8	230.2	198.9	164.4	275.4	447.7		
Key macroeconomic assumptions													
Real GDP growth (in percent)	3.0	1.0	1.0	0.5	1.0	1.5	2.5	3.7	3.7	3.2	3.2	**-0.9**	**2.6**
GDP deflator in US dollar terms (change in percent)	-2.9	3.8	7.1	-5.3	10.9	5.8	3.2	2.8	2.0	2.5	2.5	**2.7**	**2.9**
Effective interest rate (percent) 4/	0.4	0.4	0.3	0.3	0.6	0.7	0.6	0.6	0.7	1.1	1.2	**0.7**	**0.8**
Growth of exports of G&S (US dollar terms, in percent)	-1.3	-7.1	6.1	-4.6	17.0	6.0	16.7	10.1	12.2	5.2	5.5	**2.4**	**8.4**
Growth of imports of G&S (US dollar terms, in percent)	0.9	2.5	3.7	0.5	4.7	5.4	9.5	6.9	5.9	6.0	4.1	**6.8**	**5.9**
Grant element of new public sector borrowing (in percent)	...	...	...	48.7	35.8	35.5	36.1	35.3	35.8	45.9	41.6	**...**	**40.1**
Government revenues (excluding grants, in percent of GDP)	8.7	9.2	8.8	7.8	8.3	9.0	9.8	10.6	10.9	11.5	13.8	**7.7**	**10.2**
Aid flows (in Million of US dollars) 5/	235.9	339.0	141.8	121.6	185.0	163.4	219.4	250.6	256.0	249.6	181.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.8	7.0	5.9	7.4	8.2	7.9	4.7	2.0	**...**	**6.5**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	95.0	85.2	80.6	81.9	83.8	84.3	73.7	57.5	**...**	**80.2**
Nominal GDP (Million of US dollars)	2278.3	2388.4	2583.7	2457.8	2752.8	2956.1	3124.7	3330.7	3523.3	4672.8	8205.4		
Nominal dollar GDP growth	-0.1	4.8	8.2	-4.9	12.0	7.4	5.7	6.6	5.8	5.8	5.8	**1.6**	**5.6**
Memorandum items:													
PV of external debt 7/	...	...	18.6	20.1	18.6	17.8	17.2	16.4	15.7	17.8	19.8		
In percent of exports	...	...	136.0	146.6	129.5	125.6	110.2	101.6	91.9	98.0	125.6		
Total external debt service-to-exports ratio	3.7	3.7	3.5	4.9	10.6	12.9	13.3	13.4	11.8	8.6	6.7		
PV of PPG external debt (in Million of US dollars)			481.1	494.8	511.6	525.7	538.5	546.3	554.4	830.8	1625.0		
(PVt-PVt-1)/GDPt-1 (in percent)				0.5	0.7	0.5	0.4	0.3	0.2	1.0	1.4		
Non-interest current account deficit that stabilizes debt ratio	4.9	10.1	10.7	12.0	13.4	9.3	7.6	6.5	5.5	6.1	9.6		

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 exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

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.

Note: The high residual is mainly as a result of changes in gross foreign assets, valuation adjustments as well as exchange rate changes.

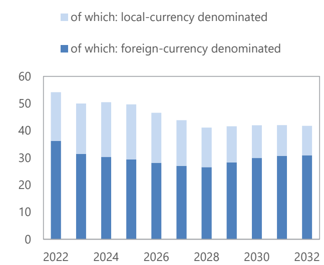
Table 2. Central African Republic: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019-2042

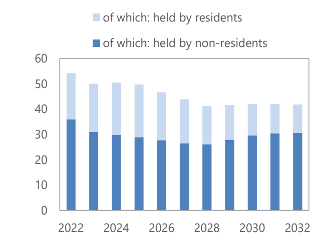
(In percent of GDP, unless otherwise indicated)

	Actual				Projections							Average 6/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	0.0
Public sector debt 1/	**48.2**	**44.4**	**48.6**	**54.2**	**50.0**	**50.5**	**49.7**	**46.6**	**43.9**	**41.8**	**28.8**	**50.1**	**45.8**
of which: external debt	**37.1**	**35.0**	**35.3**	**36.0**	**31.0**	**29.8**	**28.9**	**27.7**	**26.5**	**30.6**	**29.3**	**34.2**	**29.5**
Change in public sector debt	-1.9	-3.8	4.1	5.7	-4.2	0.5	-0.8	-3.1	-2.7	-0.2	-4.1		
Identified debt-creating flows	**-3.2**	**-1.1**	**6.5**	**2.1**	**-0.5**	**0.4**	**-0.6**	**-2.9**	**-2.6**	**-0.1**	**-1.1**	**1.1**	**-0.5**
Primary deficit	**-1.8**	**3.1**	**5.7**	**5.0**	**2.7**	**2.4**	**0.9**	**-1.1**	**-0.9**	**1.3**	**0.4**	**1.4**	**1.3**
Revenue and grants	18.3	21.8	13.7	12.3	14.7	14.2	16.3	17.9	18.0	14.9	14.7	**14.6**	**15.6**
of which: grants	9.6	12.6	4.9	4.5	6.4	5.2	6.5	7.3	7.1	3.3	1.0		
Primary (noninterest) expenditure	16.6	24.8	19.4	17.2	17.4	16.5	17.1	16.9	17.1	16.2	15.1	**16.1**	**16.9**
Automatic debt dynamics	**-1.4**	**-4.2**	**1.0**	**-2.7**	**-3.2**	**-1.9**	**-1.5**	**-1.9**	**-1.7**	**-1.4**	**-1.5**		
Contribution from interest rate/growth differential	-2.2	-1.0	-1.6	-2.7	-3.2	-1.9	-1.5	-1.9	-1.7	-1.4	-1.5		
of which: contribution from average real interest rate	-0.8	-0.6	-1.2	-2.4	-2.7	-1.2	-0.3	-0.1	0.0	-0.1	-0.4		
of which: contribution from real GDP growth	-1.4	-0.5	-0.4	-0.2	-0.5	-0.7	-1.2	-1.8	-1.7	-1.3	-1.0		
Contribution from real exchange rate depreciation	0.9	-3.1	2.6	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**-0.2**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of 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	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**1.3**	**-2.7**	**-2.3**	**3.5**	**-3.7**	**0.1**	**-0.2**	**-0.1**	**-0.2**	**-0.1**	**-3.1**	**1.8**	**-0.1**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**31.1**	**34.7**	**33.9**	**35.2**	**35.0**	**32.5**	**30.4**	**27.0**	**18.2**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**227.5**	**282.4**	**230.8**	**248.6**	**214.9**	**181.3**	**169.2**	**181.4**	**123.6**		
Debt service-to-revenue and grants ratio 3/	**17.1**	**9.1**	**10.4**	**10.0**	**25.9**	**41.0**	**59.4**	**49.7**	**48.5**	**38.3**	**6.2**		
Gross financing need 4/	1.4	5.0	6.9	6.1	6.5	8.1	10.5	7.8	7.8	7.0	1.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	3.0	1.0	1.0	0.5	1.0	1.5	2.5	3.7	3.7	3.2	3.2	**-0.9**	**2.6**
Average nominal interest rate on external debt (in percent)	0.4	0.4	0.3	0.4	0.6	0.7	0.6	0.6	0.7	1.1	1.2	**0.7**	**0.8**
Average real interest rate on domestic debt (in percent)	-0.7	-0.1	-1.6	-3.6	-3.2	-0.4	1.7	2.1	2.5	2.4	-5.5	**-2.3**	**1.0**
Real exchange rate depreciation (in percent, + indicates depreciation)	2.4	-8.7	7.7	...	...	...	...	...	...	...	...	**1.6**	**...**
Inflation rate (GDP deflator, in percent)	2.4	1.9	3.3	6.3	6.9	4.6	2.7	2.5	2.4	2.5	2.5	**4.2**	**3.5**
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.9	51.2	-21.0	-10.7	2.0	-3.6	6.1	2.1	4.9	0.4	4.2	**5.7**	**1.0**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.1	6.8	1.6	-0.7	6.9	1.9	1.6	2.0	1.8	1.6	4.5	**2.8**	**1.9**
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, 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.

Table 3. Central African Republic: Sensitivity Analysis for Key Indicators of Publicly Guaranteed External Debt, 2023-2032

	Projections 1/									
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of debt-to GDP ratio										
Baseline	19	18	17	16	16	16	17	17	18	18
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2022-2032 2/	20	20	21	23	25	28	**31**	**33**	**36**	**38**
B. Bound Tests										
B1. Real GDP growth	24	29	28	27	26	25	27	28	29	29
B2. Primary balance	20	20	20	20	19	19	20	21	21	21
B3. Exports	21	23	22	21	20	20	21	22	22	22
B4. Other flows 3/	21	23	22	21	21	20	21	22	22	22
B5. Depreciation	23	18	17	16	16	15	17	18	19	19
B6. Combination of B1-B5	27	28	27	26	25	25	26	27	27	27
C. Tailored Tests										
C1. Combined contingent liabilities	24	25	25	25	24	24	25	26	26	26
C2. Natural disaster	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.
C4. Market Financing	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
PV of debt-to-exports ratio										
Baseline	130	126	110	102	92	90	94	99	97	98
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2022-2032 2/	**141**	**144**	135	**140**	**145**	**160**	**173**	**190**	**197**	**209**
B. Bound Tests										
B1. Real GDP growth	130	126	110	102	92	90	94	99	97	98
B2. Primary balance	137	**142**	129	121	111	109	113	118	115	116
B3. Exports	**183**	**237**	**209**	**193**	**176**	**172**	**177**	**183**	**177**	**175**
B4. Other flows 3/	**148**	**161**	**142**	132	120	117	120	124	120	119
B5. Depreciation	130	103	90	82	74	72	77	82	82	84
B6. Combination of B1-B5	**188**	**144**	**168**	**155**	**141**	138	**143**	**147**	**144**	**143**
C. Tailored Tests										
C1. Combined contingent liabilities	**169**	**176**	**163**	**154**	**143**	**140**	**143**	**148**	**144**	**145**
C2. Natural disaster	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.
C4. Market Financing	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
Debt service-to-exports ratio										
Baseline	**11**	**13**	**13**	**13**	**12**	9	9	8	8	9
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2022-2032 2/	**12**	**15**	**16**	**17**	**16**	**12**	**13**	**13**	**13**	**15**
B. Bound Tests										
B1. Real GDP growth	**11**	**13**	**13**	**13**	**12**	9	9	8	8	9
B2. Primary balance	**11**	**13**	**14**	**14**	**12**	9	9	9	9	10
B3. Exports	**14**	**20**	**21**	**21**	**18**	**14**	**13**	**14**	**15**	**15**
B4. Other flows 3/	**11**	**13**	**14**	**14**	**12**	9	9	9	10	**10**
B5. Depreciation	**11**	**13**	**13**	**13**	**11**	9	8	8	7	7
B6. Combination of B1-B5	**13**	**18**	**18**	**18**	**16**	**12**	**12**	**13**	**12**	**13**
C. Tailored Tests										
C1. Combined contingent liabilities	**11**	**14**	**14**	**15**	**13**	**10**	10	9	9	10
C2. Natural disaster	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.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio										
Baseline	**18**	**20**	**21**	**20**	**18**	14	14	13	13	14
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2022-2032 2/	**20**	**23**	**26**	**26**	**25**	**19**	**21**	**20**	**20**	**23**
B. Bound Tests										
B1. Real GDP growth	**23**	**33**	**34**	**33**	**30**	**22**	**23**	**21**	**21**	**22**
B2. Primary balance	**18**	**21**	**22**	**21**	**19**	**15**	**15**	**14**	**14**	**15**
B3. Exports	**18**	**21**	**22**	**21**	**19**	**15**	**15**	**15**	**16**	**16**
B4. Other flows 3/	**18**	**21**	**22**	**21**	**19**	**14**	**15**	**15**	**16**	**16**
B5. Depreciation	**22**	**25**	**25**	**24**	**22**	**16**	**17**	**16**	13	**14**
B6. Combination of B1-B5	**22**	**29**	**30**	**29**	**26**	**19**	**20**	**21**	**20**	**21**
C. Tailored Tests										
C1. Combined contingent liabilities	**18**	**22**	**23**	**22**	**20**	**16**	**16**	**15**	**15**	**15**
C2. Natural disaster	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.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ 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.
3/ Includes official and private transfers and FDI.

Table 4. Central African Republic: Sensitivity Analysis for Key Indicators of Public Debt, 2023-2032

	Projections 1/									
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
					PV of Debt-to-GDP Ratio					
Baseline	34	**35**	35	33	30	28	28	28	27	27
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2022-2032 2/	**38**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**
B. Bound Tests										
B1. Real GDP growth	**49**	**69**	**73**	**73**	**74**	**74**	**77**	**81**	**84**	**88**
B2. Primary balance	**40**	**43**	**42**	**39**	**37**	34	34	33	33	32
B3. Exports	**36**	**40**	**39**	**37**	35	32	32	32	31	30
B4. Other flows 3/	**36**	**40**	**40**	**37**	**35**	33	33	32	31	31
B5. Depreciation	**43**	**43**	**41**	**37**	34	31	29	27	26	24
B6. Combination of B1-B5	**40**	**45**	**45**	**43**	**40**	**38**	**37**	**37**	**36**	**36**
C. Tailored Tests										
C1. Combined contingent liabilities	**49**	**49**	**48**	**45**	**42**	**40**	**39**	**39**	**38**	**37**
C2. Natural disaster	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.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35
					PV of Debt-to-Revenue Ratio					
Baseline	231	249	215	181	169	156	184	184	182	181
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2022-2032 2/	255	272	238	214	211	208	251	251	251	254
B. Bound Tests										
B1. Real GDP growth	300	397	357	323	328	330	434	462	489	518
B2. Primary balance	269	300	257	217	203	188	222	220	218	216
B3. Exports	243	281	242	206	193	179	212	211	207	204
B4. Other flows 3/	248	284	246	209	196	182	215	213	210	207
B5. Depreciation	302	309	259	214	195	175	195	184	174	166
B6. Combination of B1-B5	270	301	262	225	212	198	237	236	235	234
C. Tailored Tests										
C1. Combined contingent liabilities	335	347	295	251	236	220	259	257	254	252
C2. Natural disaster	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.
C4. Market Financing	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	26	41	59	50	49	44	45	42	39	38
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2022-2032 2/	27	43	62	53	54	50	52	50	46	47
B. Bound Tests										
B1. Real GDP growth	29	59	89	79	82	79	91	90	88	91
B2. Primary balance	26	47	68	55	52	46	47	44	41	41
B3. Exports	26	41	60	50	49	44	45	43	41	40
B4. Other flows 3/	26	41	60	50	49	45	45	44	41	41
B5. Depreciation	27	45	63	54	52	47	47	44	41	41
B6. Combination of B1-B5	27	44	66	57	57	53	56	53	49	49
C. Tailored Tests										
C1. Combined contingent liabilities	26	71	80	59	55	48	49	46	42	41
C2. Natural disaster	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.
C4. Market Financing	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/ A bold value indicates a breach of the benchmark.

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

3/ Includes official and private transfers and FDI.

CENTRAL AFRICAN REPUBLIC

October 25, 2023

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERIA, REPHASING OF ACCESS, AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION

Prepared By The African Department

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

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

Annex I. Lending into Arrears to Official Bilateral Creditors

Staff assesses that the conditions are met for the Fund to provide financing to CAR in line with Fund's policy on lending into arrears to official bilateral creditors, notwithstanding CAR's outstanding arrears to Angola. In particular:

- **Prompt financial support from the Fund is considered essential and the member is pursuing appropriate policies.** CAR continues to face significant macroeconomic challenges exacerbated by significant balance of payments pressures resulting from increased external debt service obligation. Financial support from the Fund is considered essential to allow for orderly adjustment by covering CAR's protracted balance of payments need, catalyzing external support, and supporting the successful implementation of CAR's program under the Extended Credit Facility (ECF) arrangement. CAR's policies in the context of the arrangement aim at strengthening macroeconomic stability and external viability through fiscal and structural reforms, notably by enhancing domestic revenue mobilization, public financial management and spending efficiency, restoring and building basic infrastructure and utilities, and improving governance and the business environment while also catalyzing additional financial support from other IFIs.

- **The authorities have been making good faith efforts to reach agreement with the creditor on a contribution consistent with the parameters of the Fund-supported program.**

    - In terms of process, the CAR authorities fully accepted the extent of the obligation they owe and have recently been in contact with the Angolan authorities bilaterally through letters (most recently September 2023) explaining that the CAR authorities are not seeking a treatment on the arrears and that capacity constraints are a key reason for why they have not yet been resolved.

        - Relevant information has been requested and shared with the Angolan authorities on a timely basis. The CAR authorities are committed to continue making their good faith efforts until all the arrears are resolved.

        - The terms of the loan agreement between the CAR authorities and the Angolan authorities and the associated amortization payments are incorporated into the baseline projections of the ECF-supported program and the contributions are not disproportionate relative to terms sought from other creditors in the official sector.

- **The decision to provide financing despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases.** In staff's view, providing financing to CAR despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize future financing packages, given the willingness and strong support from the international community in the context of the ECF-supported program for CAR and the strong resolve of the authorities to find a resolution in a timely manner.

Statement by Mr. Sylla, Mr. N'Sonde, and Mr. Tall on The Central African Republic
October 30, 2023

I. Introduction and Context

1. On behalf of our Central African Republic (CAR) authorities, we would like to express our appreciation to IMF staff and Management for the productive policy dialogue held during the discussions under the First Review of the Extended Credit Facility (ECF), which took place in Bangui and in Marrakesh during the 2023 Annual Meetings. Since the ECF program approval, gains have been made in macroeconomic stabilization and in mobilizing the resources needed to advance the country's inclusive growth agenda. Most notably, the reductions in fuel and food prices, as well as the carving out of resources for social spending provided much needed relief to vulnerable households. The ECF program also critically helped prevent an impending economic crisis, by contributing to the strengthening of public finances and bolstering investors' confidence in CAR sovereign debt amidst tightening global financial conditions.

2. Notwithstanding the challenging macroeconomic environment and spending pressures, the authorities managed to maintain the program broadly on track, notably on the structural reform front, albeit a mixed performance on quantitative targets.

3. CAR remains a fragile country and continues to face significant internal and external challenges. External shocks stem from climate-related events, natural disasters, geopolitical tensions, and regional crises. The crisis in Sudan compounds an already dire humanitarian situation, adding more than 51,000 refugees to the large number of internally displaced population in CAR. On the domestic front, although progress has been made in regaining control of parts of the territory and in implementing the peace agreement, addressing the long-standing development and basic human needs, and security challenges remain key priorities for the authorities. These challenges include tackling food insecurity with 2.9 million people, or 39 percent of the population being in acute food emergency phase 3 or above of the Integrated Food Security Phase Classification. The authorities are also committed to implementing sound policies and reforms as they seek to address these challenges and advance their sustainable growth agenda.

4. Against this backdrop of a challenging environment, the CAR authorities are requesting waivers for non-observance of performance criteria and modification of performance criteria. They are also requesting a rephasing of access to align disbursements with the balance of payment needs that have changed since the inception of the program while maintaining strict priority in meeting obligations to the Fund along with strengthened structural conditionality going forward.

5. CAR remains a country in severe fragility, with security challenges. It is important for the IMF to step-up its engagement with CAR in line with the new IMF strategy on fragile and conflict-affected states. The IMF's support is critical as part of the international community's response to addressing the root causes of fragility, including by anchoring reforms, catalyzing much needed concessional financing, and building capacity.

II. Program Implementation

6. The CAR authorities have implemented their Fund-supported program during the period under review in such difficult context. All but one structural benchmark (SBs) for the first review were met. These include reduction in fuel prices, and the establishment of a debt coordination and management framework. In addition, the adoption of the Anti-Corruption Law planned for April 2024 for the second review was observed in May 2023, well ahead of time. Regarding the operationalization of new IT system for domestic revenues, this reform is well advanced.

7. On the quantitative front, due to higher-than-expected education and security spending, and to the availability of more favorable domestic financing options, two performance criteria related to limits on domestic financing were missed by small margins. The indicative target of social spending could not be met due to delays in financing from the World Bank, which has since been resolved. The floor on spending through extraordinary procedures could not be met as well due to the series of exogenous shocks. Meanwhile, the authorities undertook forceful corrective actions to prevent future slippages and to keep end-year program targets within reach.

III. Recent Economic Developments and Outlook

8. Due to supply-chain disruptions, notably in the fuel markets, growth rate is now anticipated at 1 percent for 2023 from an initial projection of 2.2 percent at the request of the program. Average inflation will remain high at around 6.5 percent in 2023. For 2024, growth is expected to recover somewhat to 1.5 percent as the impact of market disruptions dissipates while inflation should decline toward 3 percent as monetary policy tightening bites and supply-chains normalize.

9. While the recovery critically hinges on the resumption of budget support, the outlook is subject to significant risks. The authorities are fully cognizant that their steadfast implementation of reforms endorsed by the IMF under this ECF program will help catalyze much needed support and they will stay the course on improved policies and reforms. To adapt to the evolving risks and tightening financial conditions, they are seeking adjustments to program performance criteria along with the rephasing of access.

IV. Policies for 2024 and Beyond

10. Policies going forward will continue to entrench macro-economic stability while creating the fiscal space needed for essential government functions and protecting social spending.

Fiscal and Debt Policies

Pursuing Revenue-based Fiscal Consolidation

11. The authorities will conduct a revenue-led fiscal consolidation with the view to fund priority spending while ensuring fiscal sustainability. To that regard, they remain steadfast in their goal of mobilizing 0.7 percent of GDP of additional revenues in 2023, and a 1 percent of GDP of fiscal consolidation in 2024. To achieve this objective, they plan to leverage digitalization to improve the tax yield, step-up tax enforcement and consider measures to broaden the tax base. Reforms of tax and customs administrations are also planned with support from IMF technical assistance.

12. On the key fuel market, the authorities will focus on addressing disfunctions and improving supplies, including by combating fraud and reforming the petroleum price-setting mechanism to streamline it and to provide for resources to build market infrastructure.

Improving Spending Efficiency

13. The authorities are also committed to improving the efficiency of expenditures and to re-allocate spending towards priority sectors. Public financial management reforms will remain a priority and social spending levels are protected under the program.

14. The authorities are resolved to adhering to high standards of transparency and safeguards to ensure that expenses are made as intended. With the support of the World-Bank, they are cleaning up the payroll, and have made significant strides in ensuring that spending controls are effective, including through enhanced safeguards throughout the expenditure chain, and ex-post audits. In the same vein, Treasury Committee's meetings will resume in earnest with donors' attendance.

Enhancing Debt Policy and Management

15. Our CAR authorities are committed to pursuing prudent debt policies to ensure debt sustainability and mitigate the risks of debt distress. They will limit new borrowing within the program parameters and prioritize grants and highly concessional loans. To mitigate liquidity risks, they will forcefully implement reforms aimed at improving revenue collection and at bolstering exports. To limit roll over risks amidst tightening global financial conditions, they are actively managing liabilities, with the view to lengthening the maturities. They are also setting up an escrow account within the central bank to improve on servicing debt on a timely basis. On external debt, given the large share of IMF loans, they consented to using 90 percent of IMF disbursements under the ECF arrangement toward paying forward obligations to the Fund coming due for at least six months.

16. The authorities will also continue good faith efforts to strengthen further relations with creditors and to address the pre-HIPC legacy arrears. CAR remains grateful to creditors for their continued support, including in instances of arrears—notably China, Iraq, and Libya. Due to capacity constraints, a debt contracted under a previous administration in the wake of the 2013 civil conflict came to light only recently. The authorities immediately took steps to properly record this debt and reached out to the creditor on addressing the payments coming due. They overhauled debt policies to require that new debt is vetted and properly registered and are considering additional remedial steps with IMF technical assistance to strengthen debt management capacity.

Monetary and Financial Sector Policies

17. Monetary policy, which is conducted at the regional level, will continue to be geared toward preserving price stability and ensuring the sustainability of the exchange rate regime. The current monetary policy stance remains tightening.

18. The CAR authorities welcome the finding that financial soundness indicators have strengthened overall despite the economic challenges. Banks capital adequacy ratios remain strong, and profitability and assets quality indicators have improved. The authorities continue to monitor closely the performance of individual banks, to ensure financial stability as monetary policy is tightening to contain inflation.

19. They are also seeking to further deepen the financial system by leveraging digitalization. In this vein, they recently adopted a tokenization of land and natural resources law to provide a

conducive legal framework to leverage blockchain technology to mobilize resources to develop their economy. As they do so, the authorities remain committed to adhering to the CEMAC's legal framework and maintain close communication with regional authorities to ensure continued observance of CEMAC obligations. To that regard, they sought the opinion of the regional central bank (BEAC) on the conformity of the Tokenization law to the regional legal framework.

Structural Reforms

20. The authorities' structural reforms agenda aims at strengthening CAR's resilience to shocks and at promoting inclusive growth.

21. Efforts towards revising the mining code will continue, with the support of the World Bank, with the view to leveraging the contribution of natural resources to growth.

22. They will also pursue structural fiscal reforms including on program budgeting with much appreciated technical assistance from the European Union. On the tokenization of natural resources, the authorities will prepare an assessment of the fiscal risks related to the law, which will be presented to the Cabinet. They will also adopt a plan to strengthen the agency responsible for monitoring AML/CFT risks, ANIF.

23. On governance, the authorities reiterate their commitment to enhanced governance standards. As indicated above, they adopted ahead of time an anti-corruption legislation in line with the United Nations' conventions. Going forward, they will implement the provisions of the law, including by taking steps to operationalize asset declarations by high officials.

24. The authorities will continue strengthening supreme audit institutions, including by revising the legislation with the view to further strengthening their financial and institutional autonomy.

V. Conclusion

25. Remaining engaged in CAR which is affected by a severe fragility is very challenging, but the Fund is doing it in line with its principles of engagement with fragile states. Our CAR authorities are cognizant of these efforts and reaffirm their strong attachment to the objectives of the ECF-supported arrangement. On this basis and given the effect of implementation challenges on performance criteria and the corrective actions taken to maintain the program on track, we call on Executive Directors' support to our CAR authorities' requests and to the completion of the First Review under the ECF arrangement.