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SECOND REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR A WAIVER OF NONOBSERVANCE OF CONTINUOUS PERFORMANCE CRITERION, AUGMENTATION 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 Second Review under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 24, 2024, following discussions that ended on April 12, 2024, 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 June 7, 2024.
- 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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Washington, D.C.

IMF Executive Board Completes the Second 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 second review under the Extended Credit Facility Arrangement for the Central African Republic (CAR). The completion of the second review allows for an immediate disbursement of SDR 18.60 million (about US$25 million) to the CAR to address its protracted balance of payments needs and sustaining priority spending on basic public services.*
- *The economy is projected to grow by 1.4 percent in 2024, up from the 0.7 percent posted in 2023, while inflation gradually declines in subsequent years. These projections hinge on expediting reforms to the fuel market.*
- *Program implementation was broadly satisfactory considering significant fragilities and uncertainties.*

Washington, DC – **June 24, 2024:** The Executive Board of the International Monetary Fund (IMF) completed today the second review of the Extended Credit Facility arrangement (ECF) of SDR 147.48 million (about US$197 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 18.60 million (about US$25 million) bringing total disbursements under the ECF to SDR 49.07 million (around US$65 million).

In completing the review, the Executive Board also approved the authorities' request for a waiver for nonobservance of the performance criterion of non-accumulation of external arrears. Further, the Executive Board completed the financing assurances review under the ECF. The Executive Board also approved the augmentation of access under the ECF to enable CAR to meet the additional balance of payment needs caused by delayed capital expenditure decisions in 2023.

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 allowed to anchor important governance-related initiatives, including the ongoing strengthening of the Court of Audit and the Financial Intelligence Unit. The authorities have committed to further strengthen governance, transparency, and financial integrity frameworks.

Following subdued growth in 2023, economic activity is projected to expand at a faster pace going forward contingent on a thorough implementation of the agreed reforms in the fuel market as those aim at improving fuel supply and reducing pump prices. In 2024, inflation is expected to remain high at around 5 percent, driven by energy and food prices. Spending pressures continue to overshadow improvements in revenue collection. Achieving the targeted primary deficit of 2.8 percent of GDP this year would require more efforts. A tightening in the fiscal stance is important to address rising debt vulnerabilities.

The overhaul of the fuel market remains pivotal for macroeconomic stabilization and both sustained and inclusive growth in CAR. Since the subsidy system ended in 2022, the fuel market has been in flux with recurrent fuel shortages and prohibitive import costs. It has also created the conditions for informal fuel markets to thrive and to erode fiscal revenues. The government, with the technical assistance missions of the IMF in February 2023 and 2024, has adopted an action plan of reforms in this sector.

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

The Central African Republic (CAR) has shown commitment to structural reforms under the ECF-arrangement despite facing deep-rooted fragility and significant uncertainty. Both financial and technical support from development partners remain vital to the program's success, to overcome fragility, and to alleviate humanitarian needs.

Program performance has been broadly satisfactory. All but one structural benchmarks were met, with the remaining implemented with a delay. All but one performance criteria for end-December 2023 were met. The criterion on non-accumulation of external arrears was missed, while the indicative targets on social spending, and spending through extraordinary procedures were also missed. Corrective actions were taken accordingly. The adoption of a new mining code signals the authorities' commitment to reforms and economic development. Decisive steps are required to fully implement the action plan for the fuel market with the view of improving economic activity, revenue collection, and reducing cost of living. A well-functioning fuel market is critical for both fiscal sustainability and macroeconomic stability. In addition, the authorities should continue to enhance the non-fuel-related revenue measures, as well as recover past-due taxes.

Program performance also hinges on stronger public financial management (PFM), in particular spending controls. Improving PFM is key to help prevent arrears, the excessive use of extraordinary procedures, and the under-execution of social spending. A proactive debt management strategy remains crucial amid high rollover risks. Grants and highly concessional financing should be pursued to limit reliance on expensive financing sources.

Governance reforms will complement PFM efforts. The authorities should implement the institutional plan for the Financial Intelligence Unit and take steps to operationalize the new law for the Court of Audit.

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

Central African Republic: Selected Economic and Financial Indicators, 2021-2029

	2021	2022	2023		2024		2025	2026	2027	2028	2029
	Act.	Act.	ECF 1st Review	Act.	ECF 1st Review	Proj.	Projections				
	(Annual percentage change; unless otherwise indicated)										
National income and prices											
GDP at constant prices	1.0	0.5	1.0	0.7	1.5	1.4	2.9	3.7	3.7	3.6	3.5
GDP per capita at constant prices	-1.0	-1.5	-1.1	-1.3	-0.5	-0.6	1.0	1.6	1.6	1.4	1.4
GDP at current prices	4.3	6.9	7.9	4.2	6.1	7.5	7.5	7.7	7.1	6.8	6.7
GDP deflator	3.3	6.4	6.9	3.4	4.6	6.0	4.4	3.8	3.3	3.1	3.0
CPI (annual average)[1]	4.3	5.6	6.5	3.2	3.2	4.7	4.6	3.8	3.4	3.1	3.0
CPI (end-of-period)	2.7	7.6	5.5	4.0	2.8	5.0	4.2	3.5	3.3	3.0	3.0
Money and credit											
Broad money	14.6	2.5	3.6	7.3	2.9	4.5	10.0	3.6	6.1	7.4	7.6
Credit to the economy	-2.2	28.2	13.0	0.4	7.4	5.1	5.2	5.2	5.6	5.8	5.9
External sector											
Export volume of goods	-5.3	2.6	9.0	9.0	5.2	12.0	8.7	5.4	9.2	14.6	14.7
Import volume of goods	-11.5	-5.5	7.4	5.5	7.1	10.7	5.7	4.1	9.0	7.1	7.2
Terms of trade	1.8	-8.4	14.7	14.4	7.9	6.8	7.5	2.8	11.8	2.0	3.4
	(Percent of GDP; unless otherwise indicated)										
Gross national savings	4.6	2.1	7.0	6.0	7.5	7.2	10.0	12.3	14.4	16.0	15.7
Of which: current official transfers	0.0	0.0	1.5	1.1	1.0	1.4	2.0	3.0	3.1	3.2	1.0
Gross domestic savings	-2.5	-5.1	-1.6	-2.4	-1.0	-1.7	0.5	1.8	4.0	5.6	7.6
Government	-3.4	-3.8	-3.5	-4.1	-2.4	-2.7	-1.8	-0.8	0.1	0.7	0.6
Private sector	0.9	-1.3	1.9	1.7	1.4	1.0	2.3	2.6	3.8	4.8	7.0
Consumption	102.5	105.1	101.6	102.4	101.0	101.7	99.5	98.2	96.0	94.4	92.4
Government	9.1	8.4	8.3	8.5	7.8	8.0	7.8	7.6	7.3	7.5	7.6
Private sector	93.4	96.8	93.3	93.9	93.2	93.7	91.7	90.6	88.7	86.9	84.8
Gross investment	15.7	14.9	15.6	15.0	15.8	15.8	16.9	17.3	18.3	19.0	19.7
Government	7.4	5.9	6.1	5.5	5.8	5.8	6.4	6.3	6.7	6.8	6.9
Private sector	8.3	8.9	9.5	9.5	10.0	10.0	10.5	11.1	11.6	12.2	12.8
External current account balance											
with grants	-11.1	-12.7	-8.6	-9.0	-8.3	-8.6	-7.0	-5.0	-4.0	-2.9	-3.9
without grants	-13.0	-14.7	-12.1	-12.1	-11.3	-12.0	-10.9	-10.1	-9.0	-6.1	-6.8
Overall balance of payments	0.1	-7.8	-2.6	-2.9	-3.0	-3.3	-1.4	0.6	3.0	4.0	5.0
Central government finance											
Total revenue (including grants)	13.7	12.3	14.7	14.4	14.2	14.8	16.3	17.8	17.9	18.3	15.8
of which: domestic revenue	8.8	7.8	8.3	8.3	9.0	9.2	9.8	10.5	10.9	11.5	11.5
Total expenditure[2]	19.7	17.6	18.0	17.9	17.3	17.8	18.1	17.7	17.6	17.7	17.8
of which: capital spending	7.4	5.9	6.1	5.5	5.8	5.8	6.4	6.3	6.7	6.9	6.9
Overall balance											
Excluding grants	-10.9	-9.9	-9.7	-9.6	-8.3	-8.6	-8.3	-7.2	-6.7	-6.1	-6.3
Including grants	-6.0	-5.3	-3.3	-3.6	-3.1	-3.1	-1.8	0.1	0.3	0.7	-2.1
Domestic primary balance[3]	-5.1	-4.4	-3.8	-3.7	-2.8	-2.8	-2.2	-1.5	-1.1	-0.9	-1.4
Public sector debt	48.5	51.1	52.9	57.7	53.3	57.3	55.4	50.8	47.3	43.5	42.7
Of which: domestic debt[4]	13.2	18.2	20.3	25.1	22.0	26.1	25.6	22.7	20.6	16.3	15.2
Of which: external debt	35.3	32.8	32.6	32.6	31.3	31.2	29.8	28.2	26.7	27.2	27.5
Memorandum items:											
GDP per capita (US dollars)	525	490	538	514	566	539	567	598	628	656	685
Nominal GDP (CFAF billions)	1,432	1,531	1,651	1,595	1,752	1,714	1,842	1,984	2,125	2,269	2,420

Sources: CAR authorities and IMF Staff estimates and projections.
[1] Revision of CPI weights and transition to COICOP was performed starting from 2020.
[2] Expenditure is on a cash basis.
[3] Excludes grants, interest payments, and externally-financed capital expenditures.
[4] Comprises government debt to BEAC, commercial banks, and government arrears.

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

June 7, 2024

SECOND REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR A WAIVER OF NONOBSERVANCE OF CONTINUOUS PERFORMANCE CRITERION, AUGMENTATION OF ACCESS, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Despite a challenging environment, the authorities have broadly shown strong commitment to the reforms proposed in the program. Challenges to fuel and electricity supply have undermined economic growth, revenue mobilization, and government liquidity. Further, volatile spending weakened budget credibility. Public debt increased rapidly last year driven by regional issuances, and the authorities have ambitious borrowing plans for 2024. Thus, boosting revenue collection—particularly from fuel imports—and strengthening spending management will be key to preserving macroeconomic stability and debt sustainability.

Outlook and risks. The medium-term outlook remains uncertain. The baseline scenario assumes an adherence to the action plan for the fuel market ("action plan") developed jointly by the IMF and national authorities, a strategy to refinance debt maturities, and a continued resumption in donor support. The baseline is subject to exceptionally high downside risks, particularly those related to security, fuel supply, debt rollover, and spending overruns. 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, arrears could emerge. CAR remains at high risk of external and overall debt distress.

Program performance. Performance under the program has been broadly satisfactory. All but one of the QPCs were met, reflecting the authorities' efforts last December to recover past-due taxes and delay spending. The exception was the continuous performance criterion (CPC) on the non-accumulation of external arrears, which was missed due to liquidity pressures and the lack of coordination between cash and debt management units. Two indicative targets (IT) —social spending and spending using extraordinary procedures—were also missed. Yet, all but one structural benchmarks (SB) were met. The remaining SB was eventually implemented, albeit with a delay, showing the authorities' commitment to structural reforms.

Policy Recommendations. An increase in revenue mobilization in 2024 will hinge on adhering to the action plan. The latter aims to improve the transparency of fuel price structures, align policy reforms with program goals, enhance collaboration among stakeholders, and bolster regulatory enforcement. Revenues should also benefit from a stronger execution of fiscal

measures implemented in 2023, and faster tax recoveries. Concurrently, spending cuts are needed to offset the overrun of 2024Q1, without affecting social spending. Also, a medium-term debt strategy is required to address substantial rollover risks. Finally, fostering good governance, anti-corruption efforts, transparency and financial integrity are critical to catalyze further donor support.

Program issues. The authorities are requesting an augmentation of access for 5.2 percent of quota (SDR 5.8 million). The augmentation will enable CAR to meet the additional BoP needs caused by implementation of delayed capital expenditure to accommodate increased obligations to the Fund last year given limited financing. This capital expenditure is expected to resume with additional Fund financing. The authorities continue to have the capacity to implement a set of policies that is adequate to correct external imbalances. The authorities will continue the 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.

Updated conditionality. Two prior actions (PA) were set for the second review, both anchored on the authorities' action plan. To meet the first PA, the authorities are expected to (i) publish online the fuel price structures by marketer and import route; (ii) introduce a new price structure for unlicensed fuel imports; and (iii) modify the tax and quasi-tax components of price structures. To meet the second PA, the authorities are expected to level the playing field in the fuel sector by ensuring that all importers (a) are registered as CAR taxpayers and establish a local office; (b) adopt the new forward looking pricing mechanism; and (c) get a license to import fuel solely in CAR and (d) provide a written commitment to import at least 80 percent of total petroleum products via the river. Also, a new continuous SB was added starting July 25, 2024, whereby new fuel price structures will be published monthly in line with action plan recommendations. Moreover, one new SB was added for the third review on the operationalization of the SIM_Ba software. Finally, one new SB was added for the fourth review on the adoption of a pump price adjustment mechanism.

Approved By
Vitaliy Kramarenko (AFR) and Anna Ivanova (SPR)

Discussions on the Second Review under the Extended Credit Facility Arrangement took place in Bangui during April 2 – April 12, 2024. The mission team consisted of Mr. Touna Mama (head), Mr. Hatcherian, Mr. Essiane (all AFR), Mr. Kiendrebeogo (FAD), and Mr. Tuuli (SPR). Mr. Mbaye (resident representative), Mr. Zoungarani, and Ms. Mbonde from the local office supported the mission. Mr. Tall (OED) participated in the meetings. The IMF team met with President Touadéra, Prime Minister Moloua, Finance Minister Ndoba, Energy Minister Piri, Economy Minister Filakota, BEAC National Director Chaïbou, and other senior government officials, development partners, and representatives from the private sector. Ms. Khandelwal, Ms. Pohl, and Mr. Stabile (AFR) ably contributed to the preparation of this report.

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CONTEXT

1. **Despite a challenging environment, the authorities have broadly shown strong ownership to reforms.** They phased out fuel subsidies, passed the Anti-corruption Law, adopted the Mining Code, migrated to a more advanced software for customs administration, cleaned-up the public payroll (under the World Bank's operation), and reversed harmful features of the Crypto-Assets Law by removing the legal tender and guaranteed convertibility of Bitcoin.[1] Yet, CAR's deep-rooted FCS status means that much remains to be done to overcome extremely weak capacity and serious gaps in public financial management (PFM)—per the 2023 Public Expenditure and Financial Accountability (PEFA) assessment—which have weighed on program performance.

2. **A well-functioning fuel market has emerged as a priority to protect macroeconomic stability and debt sustainability.** Persistent uncertainty about the organizational structure has led to (i) subpar fuel supply to power economic activity and revenue collection; (ii) acute government liquidity pressures from revenue volatility; (iii) external arrears; (iv) rising debt service from accessing expensive regional financing to compensate for revenue shortfalls; and (v) inflation when fuel shortages have occurred. The authorities have started addressing these challenges by adopting the action plan for the fuel market (¶14), whose measures will have to be maintained over time.

3. **The government is under pressure to improve public service delivery.** The improvement in security in most urban areas has increased demands for social protection and basic infrastructure, including electricity. Early in April, people protested against a worsening load shedding in Bangui, a new tax on mobile money transactions,[2] and a high cost of living.

4. **Program implementation for the second review was broadly satisfactory.** All but one of the QPCs were met. One continuous QPC was missed, as CAR accumulated external arrears since the first program review due to liquidity pressures and lack of coordination between cash and debt management units. Further, capacity constraints led to external arrears in May and June of 2023.Also, two ITs—social spending and spending through extraordinary procedures—were missed. Yet, all but one SBs were met. The remaining SB was implemented, albeit with a delay, showing the commitment to structural reforms.

[1] See Country Report No. 23/108.

[2] Against staff advice, the 2024 Budget introduced a 1 percent tax on fees from mobile money and gambling transactions.

RECENT ECONOMIC DEVELOPMENTS

5. Macroeconomic developments during 2023H2 were mixed:

- *Economic activity remained subdued.* Real GDP growth in 2023 was lower than expected at 0.7 percent (Text Table 1) because limited fuel supply and high costs weigh on businesses and frequent electricity outages added to the disruptions. Agriculture, timber, and gold mining sectors performed better.

- *Inflation softened.* Inflation for 2023 was revised down from 5.5 percent to 4 percent, largely due to the reduction in fuel prices at the pump in July 2023.

- *Revenue collection weakened.* Excluding one-off tax recoveries in December, average monthly domestic revenues in 2023H2 slid by 12.5 percent vis-à-vis 2023H1. This fall was due to lower receipts on fuel imports and sales, weak implementation of key revenue measures by customs, and accumulation of tax arrears by a few large companies. The ensuing revenue volatility created major liquidity pressures.

Text Table 1. Central African Republic: Selected Economic Indicators

	2022 act.	2023 act.	2024 proj.	2025 proj.	2026 proj.
Output and prices					
GDP at constant prices (% change)	0.5	0.7	1.4	2.9	3.7
CPI (end-of-period, % change)	7.6	4.0	5.0	4.2	3.5
Central government finances					
Domestic revenue (% of GDP)	7.8	8.3	9.2	9.8	10.5
Domestic primary expenses (% of GDP)	12.2	12.0	12.0	12.0	12.0
Domestic primary balance (% of GDP)	-4.4	-3.7	-2.8	-2.2	-1.5
Public sector debt (% of GDP)	51.1	57.7	57.3	55.4	50.8
Domestic	*18.2*	*25.1*	*26.1*	*25.6*	*22.7*
External	*32.8*	*32.6*	*31.2*	*29.8*	*28.2*
Balance of payments					
Current account (with grants, % of GDP)	-12.7	-9.0	-8.6	-7.0	-5.0

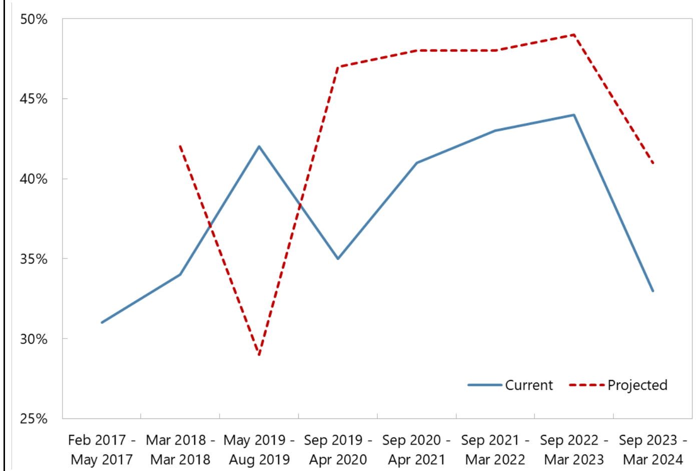
Source: CAR authorities and IMF staff calculations.

- *Buoyant domestic issuances*. Subscriptions of medium and long-term government paper reached an average of 96 percent in 2023H2 while the average tenor of new issuances rose from 3.3 years in 2023H1 to 4.4 years in 2023H2, with a peak of a 6-year bond issuance in October.

- *Banking indicators remain broadly adequate.* Total capital stood at 18.9 percent of risk-weighted assets at end 2023, while the short-term liquidity ratio stood at 146.1 percent. Yet, asset quality stayed weak, with the NPL ratio at 16.2 percent (Table 6). Significant gaps in terms of liquidity and concentration of NPLs among financial institutions call for increased vigilance.

- The *external position improved in 2023*. The current account deficit (with grants) is estimated to have narrowed from 12.7 percent of GDP in 2022 to 9 percent of GDP in 2023, owing to a reduction in imports (mainly petroleum products) and an increase in exports. Disbursements from the World Bank (WB) in 2023Q4 further narrowed the current account deficit.

Text Figure 1. Population with Acute Food Insecurity
(Percent)



Sources: FEWS NET and IMF staff estimates.

- *Food insecurity eased.* Approximately 2 million people (some 33 percent of CAR's population) experienced acute food insecurity between September 2023 and March 2024 compared to 2.7 million people between September 2022 and March 2023, after improved security in certain areas allowed for voluntary repatriation of internally displaced persons.

- *Small carbon credits inflows.* The first transaction for carbon credits (US$400,000) took place after African Parks (a South African conservation NGO) converted the local Chinko natural reserve to carbon credits. This initiative should help reduce deforestation and carbon emissions. African Parks has managed Chinko since 2014.

PROGRAM PERFORMANCE

6. Performance under the program has been broadly satisfactory considering significant fragilities and uncertainties.

- *All but one of the December QPCs were met (Table 8).* Domestic revenues stood at CFAF 132.5 billion at end-2023, above the CFAF 130 billion target. This reflects the authorities' efforts last December to recover tax liabilities for CFAF 6.2 billion, of which about half was accrued in 2022 (0.2 percent of GDP). Further, the domestic primary deficit reached CFAF 58.3 billion at end-2023, better than the target of CFAF 64 billion, which was achieved by activating contingency measures in December that included delaying goods and services outlays (0.2 percent of GDP) and salary payments for high earners in the public service (0.25 percent of GDP). These measures added to under-executed domestically-financed capital projects in 2023. Finally, net domestic financing was at CFAF 55.8 billion by end 2023, below the adjusted QPC of CFAF 62.9 billion.

- *The CPC on the non-accumulation of external arrears was missed.* Due to liquidity pressures, CAR ran arrears in 2023H2 to China, Kuwait, India, Saudi Arabia, Serbia, the Arab Bank for Economic Development (BADEA), and the International Fund for Agricultural Development (FIDA).

- *All but one SBs were met* (Table 9). The Anti-corruption Law was adopted in May 2023. All quasi-taxes in the fuel price equation were consolidated into a single quasi-tax, while the cross-verification module of eTax was implemented, and the fees and taxes collected by line ministries were centralized in the Treasury Single Account (TSA). The institutional plan to resource the

Financial Intelligence Unit (ANIF) was adopted at end-April 2024. In May 2024, with a one-month delay, the authorities submitted to the Cabinet a new draft organic law for the Court of Audit.

- *The December IT on the ceiling on spending via extraordinary procedures was missed*. This amount was CFAF 23.6 billion by year-end 2023, well above the target of CFAF 5 billion, reflecting major PFM weaknesses (section D) and unanticipated spending, particularly related to security and natural disasters.

- *The December IT on social spending was also missed.* Social spending stood at CFAF 10.4 billion in December, below the targeted floor of CFAF 22 billion due to limited fiscal space along with PFM and cash management challenges. The authorities remain committed to improve on the execution of social spending.

OUTLOOK AND RISKS

7. The medium-term outlook remains uncertain. The baseline scenario assumes improvements in fuel supply, a strengthening of policies consistent with program commitments, and an increase in donor support. Real GDP growth should increase from 1.4 percent in 2024 to 3.7 percent in 2026, with stronger governance and business environment attracting donor support and private investment. Inflation would progressively slide towards the CEMAC's 3 percent convergence criterion. The primary deficit would narrow from 3.7 percent of GDP last year to below 2 percent by 2026, while the current account deficit would shrink from 9 percent of GDP to 5.2 percent.

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

- *Security*. A deterioration in the security environment could disrupt economic activity and donor financing with ripple effects on the fiscal performance and human development indicators.

- *Fuel supply*. The failure to durably solve fuel shortages—if the action plan is not implemented—would continue to weigh on growth and fiscal performance. This risk materialized in 2023H2.

- *Revenue mobilization*. Strong political commitment to revenue collection is critical to achieve revenue targets under the program. A revenue under-performance would challenge fiscal and debt sustainability.

- *Rollover risks*. An unfavorable shift in investor sentiment towards CAR or a protracted tightening in CEMAC could hinder the country's ability to refinance the lumpy maturities through 2027.

- *Election slippages*. Local elections will be held in 2024Q4, and presidential elections in 2025, which could cause significant expenditure overruns.

- *External financing*. An inability to implement reforms, strengthen PFM, and reinforce governance could hinder grant and highly concessional financing which may lead to arrears accumulation.

- 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.

9. CAR remains at high risk of overall and external debt distress. Public debt is projected to be sustainable, though there are substantial liquidity and refinancing risks. Last year, CAR issued CFAF 90 billion (5.6 percent of GDP) in net medium-term debt in the CEMAC market. As regional liquidity tightens, limiting fiscal imbalances is crucial to protect market access and curb refinancing risks. Separately, balance of payments' projections include a financing gap of about 4-5 percent of GDP per year (Table 5). Sufficient financing would be mobilized from IFIs and the regional market as reforms continue to take hold.

POLICY DISCUSSIONS

The policy discussions focus on i) increasing revenues in 2024; ii) cutting spending this year to offset the overruns of 2024Q1; iii) restoring a well-functioning fuel market; iv) strengthening public debt management; and v) developing medium-term fiscal and governance reforms.

A. Better Anchoring Revenue-Led Fiscal Consolidation

10. The 2024 Budget is aligned with program commitments during the first review, which aimed at a tighter fiscal stance with a 0.9 percent of GDP reduction of the domestic primary deficit. Even though revenue collection remained on track in 2024Q1, the weakening revenue performance in 2023Q4 still calls for strong corrective actions in the fuel market (section B) to propel revenues (Text Table 2). Further, a steadfast implementation of revenue measures introduced in 2023 is needed. These measures have underperformed given administrative challenges and include:

- **Unlicensed fuel importers.** A new measure will seek to tax such fuel imports at par with formal imports to discourage unfair competition from heavily subsidized fuel from Cameroon, Chad, or Republic of Congo that erodes the tax base. All duties and taxes would now be applied to unlicensed fuel imports and based on the same reference prices as licensed imports plus a 30 percent premium.

- **Imported cigarettes.** Enforce minimum customs declaration values through ASYCUDA to correct widespread under-invoicing.

- **Unregistered importers.** To optimize the application of the penalty to unregistered importers, the Tax directorate will maintain and share with Customs, monthly, the list of the known active importers on which the penalty should not be applied.

- **Tax arrears.** Focus on the recovery of past-due taxes which are currently estimated at about CFAF 8 billion (0.5 percent of GDP). Taxpayers include marketers in the fuel sector as well as telecommunication operators, cigarettes imports, and forestry sector.

Text Table 2. Estimated Yields of the Main Tax Handles for 2024
(CFAF billion)

	Yield	Comments
Fuel revenues	17.0	Anchored around the "action plan".
VAT on transportation	4.2	Implemented in 2024 for goods imported from CEMAC countries and consumed in CAR.
Telecommunication services (TIC-TECH)	6.0	Implemented in 2023.
Unregistered importers	3.4	Implemented in 2023.
eTax	2.0	Cross-check module implemented in 2024.
Imported cigarettes	2.0	Implemented in 2023.
Menues recettes	4.0	Ongoign reform.
Exemption reductions	1.1	Implemented in 2024.
Total	**39.7**	

Sources: IMF staff estimates, CAR authorities.

11. The authorities committed to adjusting spending via a revised budget in 2024Q3. Expenditure carried over from 2023, at around CFAF 7 billion, has put pressure on the deficit in 2024 and will likely require a revised budget should the revenue performance fail to pick up further in the coming months—revenue projections from fuel sale and imports are very conservative. A revised budget should include permanent cuts in goods and services and non-essential transfers and new revenue measures addressing under-valuation of imported goods beyond cigarettes. A prioritization of domestically-financed capital projects is key to avoid pent-up execution following very low spending over the past few years. The authorities are working to identify other measures without affecting social spending (MEFP ¶12).

B. Transitioning to a New Fuel Price Mechanism System

12. The authorities have struggled to stabilize the fuel market since the subsidy system ended in 2022. At fault, the regulatory and fiscal uncertainty prevailing in the market evidenced by frequent and arbitrary modifications of price structures, which have affected marketers' decisions to import fuel. Further, unfair competition from unlicensed importers has hindered marketer bottom line. Thus, fuel revenues fell to around 10 percent of revenues in 2023 from 21 percent in 2021.

13. On December 1, 2023, the government granted exclusive fuel importing rights to a new company responsible for supplying local marketers and possibly large consumers. The authorities indicated that their decision was aimed at stabilizing fuel supply. Yet, the new fuel import arrangement failed to provide sufficient guardrails on importing terms, leading to uncompetitive prices, and skewed incentives towards (less-efficient) road imports. So far, the monopoly importer has supplied the local market solely through the road on a "just-in-time" basis with no safety stocks, thus giving rise to elevated risks of demand-side rationing or fuel shortages.

14. The authorities are committed to implementing an action plan of reforms to sustainably improve fuel supply and revenue collection. The action plan was designed with the support of the February 2023 and February 2024 FAD TA missions and in consultation with all stakeholders in the sector. It includes:

- **Enhancing the transparency of the current price structures (*prior action*).** The authorities are expected to: i) publish the fuel price structures by marketer and import route; ii) introduce a new price structure for unlicensed fuel imports; and iii) modify the tax and quasi-tax components of price structures to respect transit and storage regimes.

- **Leveling the playing field in the fuel sector (*prior action*).** Importers are supposed to: i) register as CAR taxpayers and establish a local office; ii) adopt the new forward-looking pricing mechanism; iii) obtain an agreement to import fuel into CAR; and iv) provide a written commitment to import at least 80 percent of total petroleum products via the river. Steps will also have to be taken to dismantle the monopoly on the distribution of fuel to large consumers and enforce sanctions for non-compliance.

- **Establish forward-looking price structures,** based on pre-defined international reference prices, augmented with capped margins and transportation costs, and with a capped import premium. At current international reference prices, this new methodology should lead to lower pump prices and further reduce the competitiveness of unlicensed fuel imports.

- **Publish new price structures monthly (*proposed new continuous SB*).** From July 25, 2024, the authorities will publish online new monthly price structures based on predefined international reference prices, augmented by taxes and quasi-taxes provided by the current regulations, capped margins, transportation costs, and an import premium.

- **Additional actions were identified to enhance the fuel market.** An external audit of the fuel price cost and margin components will be launched in June 2024 (*SB for third review*). Further, a pump price adjustment mechanism will be adopted by April 2025 (*SB for fourth review*). This mechanism is part of a comprehensive strategy that also includes improvements in infrastructure and in stocking capacity.

C. Navigating Public Debt Management Challenges

15. A proactive debt management strategy remains crucial to mitigate high rollover risks though it comes at a cost. For the second year in a row the authorities have opted for a domestic syndication, totaling CFAF 50 billion, to rollover most maturities in 2024. However, as the developing a medium-term debt strategy (MTDS) is still in early stages, rollover risks will stay high through 2027 while debt service increases rapidly (DSA Text Table 2). Thus, investor outreach should be reinforced to i) issue 4-year instruments or longer; ii) pre-finance bonds maturing in 2025; and iii) implement voluntary liability management operations (MEFP ¶16).

16. Addressing recently accumulated external arrears is a priority for the authorities. Liquidity challenges and PFM weaknesses (¶18) in 2023H2 led to the accumulation of arrears to BADEA, FIDA, and bilateral creditors, namely China, India, Kuwait, Serbia, and Saudi Arabia. A portion of the recent syndication is earmarked for the settlement of those arrears. The authorities also agreed to corrective actions to avoid new external arrears (¶24). Moreover, they will seek a solution to legacy external arrears with support from the African Legal Support Facility, which will also help enhance strategic debt management and review the legal debt framework.

17. The authorities should fully operationalize the public debt coordination and management committee. This should be the designated forum to assess borrowing plans. For the remainder of 2024, borrowing should remain within the financing needs from the budget (around CFAF 90 billion) to be consistent with debt sustainability. With AFRITAC Centre support, the authorities should also continue to develop a MTDS (MEFP ¶18).

D. Improving Fiscal Institutions and Governance

Public financial management

18. Addressing PFM weaknesses is key for fiscal sustainability and program performance. The 2023 PEFA assessment identified widespread gaps in PFM. Weaknesses in budget planning, commitment controls, and cash management are hindering budget credibility and execution. These have a bearing on program performance, including excessive use of extraordinary procedures, under-execution of social spending (both ITs), or accumulation of external arrears (CPC). With the draft law for the Court of Audit submitted to the Cabinet (*SB for second review*), its expedited submission to Parliament would help improve oversight over public finance.

19. Expediting the operationalization of the IFMIS, SIM_Ba, would help address some of these weaknesses. It will help fast-track processes, reduce human errors, and improve commitment controls. Constraints to SIM_Ba's deployment include internet access, scarce IT equipment, and training delays. The authorities committed to making effective the systematic use of SIM_Ba by all staff at Treasury with an accounting function by November 2024 (*new SB for third the review*). AFRITAC Centre will accompany this reform. Meanwhile, a joint MCM-FAD TA mission will look specifically into coordination between cash and debt management which contributed to the accumulation of external debt payment arrears, including the fact that the back, middle, and front-office functions are not under the same unit.

Other Medium-term Fiscal and Governance Reforms

20. Medium-term fiscal reforms continue, anchored around the following initiatives (MEFP ¶23)**:**

- **Treasury Single Account.** To continue optimizing the centralization of administrative fees and levies (*menues recettes*) in the TSA, the authorities need to better leverage the accountants from the Ministry of Finance relocated to those ministries (Appendix II). Ramping-up the digitalization of *menues recettes* collection, with the support of the EU, and awareness-raising campaigns would help eliminate elevated leakages. Also, enforcing administrative and disciplinary sanctions for noncompliant staff would boost collection and contribute to fighting against corruption.

- **Customs administration.** The authorities are prioritizing procedural optimization and digitalization along the Douala/Kribi-Bangui corridor. A training on ASYCUDA World for customs officers and economic operators should launch by end-2024H1. The upcoming implementation of a dry port scanner and transit interconnectivity would also bolster operational efficiency and regulatory enforcement.

- **Tax administration.** The operationalization of the cross-verification module of eTax was completed in April 2024 (*SB for the second review*). Progress continues on implementing electronic VAT invoicing. Measures to process tax disputes, audit tax and customs illegal exemptions, and offset undue VAT credits should also be considered. The authorities also committed to issuing a ministerial decree outlining minimal criteria for official taxpayer recognition by the tax office (*SB for the third review*).

- **Forestry industry taxation.** To minimize revenue losses, the authorities are revising the forestry code consistent with the 2017 FAD TA mission with WB support. They have also developed semi-industrial permits for medium-sized operators and established a committee for the taxation of artisanal exploitations. Efforts are underway to i) strengthen document-based controls; ii) address the defective VAT credit system; and iii) enhance price structure transparency for exported timber.

Anti-corruption, Financial Integrity, and Tokenization Law

21. The authorities are making meaningful progress on anti-corruption reforms. After the passage of the new Anti-Corruption law in May 2023, the drafting of regulations for the Asset Declaration Law has started and should be completed by October 2024 (*SB for the third review*).

22. The authorities remain committed to strengthening AML/CFT standards. The implementation of an institutional plan for ANIF should eventually contribute to strengthening its operational work by addressing confidentiality, human, financial and technical resources issues identified in CAR's Mutual Evaluation Report of GABAC adopted in September 2023.

23. The mitigation strategy to address potential risks from the Tokenization Law are being deployed though the law is yet to be implemented. Per the 2024 Budget, no fiscal engagements for Sango projects have been planned. Additionally, the already low investor appetite towards the Sango project vanished after it was declared unconstitutional on August 29, 2022.[3] Ongoing work on assessing fiscal risks from tokenization (*SB for the third review*) will be supported

[3] Country Report No. 23/156: *Fintech and Crypto Assets in the Central African Republic: Balancing Opportunities And Risks*.

by IMF TA. Also, once available, BEAC's feedback on the Tokenization Law may also warrant additional reforms (MEFP ¶30).

PROGRAM MODALITIES AND OTHER ISSUES

24. The authorities request a waiver of non-observance for one missed CPC. The CPC on non-accumulation of external arrears was missed due to liquidity pressures and weaknesses in cash management. Corrective actions include: i) a joint MCM/FAD mission and a new SB on the full operationalization of the SIM_Ba software at the Treasury (¶19); ii) the authorities are discussing with the WB the financing of the re-activation of a debt management software which has been lacking; iii) a PFM Resident Advisor based in-country will be prioritized to provide hands-on support to the authorities (¶32); and iv) the authorities' ownership and commitment to the program objectives (especially revenue measures) and the action plan for the fuel market will support revenue collection and reduce the liquidity tensions that led to the CPC breach.

25. Two new prior actions were set for the second review to address the shortcomings related to the fuel market. The prior actions involve increasing the transparency of fuel price structures and leveling the playing field between importers and marketers. Further, a new continuous SB was added starting July 25, 2024, whereby new fuel price structures will be published monthly in line with action plan recommendations. One new SB was added for the third review on the full operationalization of the SIM_Ba software at the Treasury (¶19). Finally, one new SB was added for the fourth review on the adoption of a pump price adjustment mechanism (¶14).

26. The authorities request an augmentation of access (Table 7)**.** The authorities are requesting a modest augmentation of 5.2 percent of quota (SDR 5.8 million) to enable the country to meet the additional BoP needs caused by delayed capital expenditure decisions in 2023 amid tighter global financial conditions and limited room for additional external financing. This capital expenditure, which is critical to improve CAR's productive capacity, is expected to resume with additional Fund financing. The proposed augmentation will bring total access under the program to SDR 147.48 million (132.39 percent of quota), marginally increasing Fund's exposure at program-end.

27. Capacity to repay the Fund (Table 11 and Annex I). Capacity to repay the Fund remains weak, and it only becomes adequate after a successful implementation of the reforms outlined under the program. Those reforms are expected to reduce program and financing risks, thereby mitigating the risks to the capacity to repay the Fund, rendering capacity to repay adequate. Downside risks to the capacity to repay the Fund include a slower-than-expected pace of reforms, natural disasters, a deterioration of security situation, as well as persistence of difficulties with domestic revenue mobilization. However, these downside risks are mitigated by the authorities' strong collaboration with the Fund, strong commitment to the program objectives, as well as several other factors outlined in the program request documents (Country Report No. 2023/155).

28. Safeguards. Ten percent of access will continue to be deposited in the escrow account at the BEAC to supplement the WB's operation to finance certain non-discretionary fiscal expenditures in critical service delivery areas. IMF disbursements will continue to complement the WB's operation by adding to the list of beneficiaries the Ministry of Finance and the Ministry of Economy, both at the frontline of program implementation. In line with the WB, the Fund disbursements will continue to benefit from verification processes and safeguarded disbursement arrangements to limit the risk of ineligible expenditures, mitigating reputational risks for the IMF. That verification led to a clean-up of the payroll database of public servants. An external audit covering both the Ministry of Finance and the Ministry of Economy found above 99 percent compliance on salary disbursements under the WB's operation.

29. Regional assurances. BEAC met its end-December 2023 Net Foreign Assets (NFA) target with a significant margin (about EUR 1 billion) and is expected to provide updated policy assurances in support of CEMAC countries' Fund-supported programs during the upcoming CEMAC review mission, for end-June 2024 and end-December 2024, respectively. This upcoming review of regional policies and policy assurances is scheduled to be discussed by the IMF Executive Board in June 2024. Adequate policies and assurances are a condition for the completion 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.

30. Financing assurances. While there are downside financing risks, the program remains fully financed, with firm commitments from the WB and AfDB for the next 12 months and good prospects thereafter. It is anticipated that the WB will disburse CFAF 11.1 billion during the second half of this year. The AfDB disbursed the first tranche of its budget support last January, for an amount of CFAF 6 billion. A similar disbursement is anticipated later in 2024. There are good prospects for new budget support operations for next year, as the World Bank initiates discussions of a DPO. Financing for the program does not assume resumption of bilateral budget support.

31. Safeguards assessment. The 2022 safeguards assessment found that BEAC maintained strong governance and external audit arrangements while internal audit and risk management practices needed strengthening. A safeguards monitoring mission took place at end-2023 to follow up on the outstanding 2022 safeguards recommendations, an external quality assessment of internal audit, and the current implementation of the governance framework. The mission's preliminary recommendations include onboarding for new members of senior management and the Board and an enhanced delegation framework for executive decision-making.

32. CAR accumulated arrears in 2023H2 mainly due to liquidity challenges, totaling about CFAF 1.8 billion. Bilateral external arrears (to China, Saudi Arabia, India, Kuwait, and Serbia) since program approval stand at about CFAF 2.6 billion while external arrears to multilaterals, i.e., FIDA and BADEA, stand at about CFAF 236 million. In addition, CAR also has legacy arrears that pre-date the Completion Point of the HIPC initiative with some non-Paris Club bilateral creditors (i.e., Argentina, Taiwan, Province of China, Libya, Equatoria Guinea, and Iraq). Arrears to Angola (amounting to about CFAF 1.8 billion) are a subject of renegotiation, with the authorities continuing to seek to resolve them. Thus, in accordance with the TMU, these external payment arrears are carved-out from the CPC. For both recent and legacy bilateral arrears, the authorities are in contact with creditors to find a resolution. All official bilateral creditors to which there are outstanding external arrears have consented to Fund financing notwithstanding these arrears. On multilaterals, arrears to FIDA have been cleared while staff assesses the authorities have a credible plan in place to clear the arrears to OFID and BADEA as required by the policy of non-toleration of arrears (NTP).

33. **The authorities request an extension of the deadline for issuance of the Poverty Reduction and Growth Strategy (PRGS) to the third review.** CAR's National Development Strategy (RCPCA) for 2017-2021 expired in December 2023. A follow-up Plan for 2024-2028 is being finalized (MEFP ¶34). Yet, due to limited institutional capacity the PRGS could not be finished for the completion of the second review.

CAPACITY DEVELOPMENT

34. **A full-time Resident Advisor (RA) on PFM is crucial to provide continuous, uninterrupted support, and hands-on training in the field consistent with the Fund's FCS-strategy.** The assistance provided through AFRITAC Centre will be complementary to the RA to address the major PFM weaknesses and capacity development needs. Funding is being sought for a full-time RA to meet this urgent demand emanating from the authorities.

35. **Enhancing statistical capacity remains a priority.** Weaknesses exist in data quality, particularly in external sector statistics, and long delays in external debt statistics due to poor inter-agency coordination. The authorities have appointed two focal points at the national statistical office to work with the Fund on their National Summary Data Page (NSDP) aimed at improving data sharing.

STAFF APPRAISAL

36. **A growth pickup rests on improvements in fuel and electricity supply.** A steadfast implementation of the action plan should support a successful river campaign this year and some stabilization in electricity provision. Over the medium term, a well-established fuel market, along with governance reform, should catalyze donor support and further underpin growth.

37. **Performance under the program has been broadly satisfactory while the authorities continue to show strong ownership of reforms.** All but one of the QPCs were met. The continuous QPC on non-accumulation of external arrears was missed, while two indicative targets were missed as well. All but one SBs were met. The remaining SB was eventually implemented with a delay.

38. **Achieving program targets hinges on strong implementation of revenue measures.** Preliminary data show a relatively good revenue performance for 2024Q1. However, spending carry-over from December 2023 put pressure on the 2024 deficit targets and would likely require

spending cuts in a revised budget. Digitalizing revenue administration and operationalizing new customs offices present an upside in revenue collection that is difficult to estimate.

39. 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 tax potential. Strong political commitment is crucial to improve revenue collection. Meanwhile, CAR should continue to favor grants and highly concessional resources to fund social spending (MEFP ¶33) and infrastructure, as debt service costs are progressively crowding out priority spending. The authorities should consult closely with the Fund when new financing opportunities arise. A MTDS will help mitigate rollover risks.

40. The appointment of a full time PFM Resident Advisor would help capitalize on a strong reform momentum and sustain program performance. The authorities are implementing ambitious PFM reforms in line with regional directives. Continuous, uninterrupted, and hands-on in-person support from an RA would be greatly beneficial in continuing progress and sustaining what has been achieved. Importantly, a stronger PFM will help bring social spending and spending via extraordinary procedures back-on-track. Further, operationalizing SIM_Ba will support budget management, fiscal transparency, and reporting.

41. Efforts to improve governance, strengthen financial integrity, and fight corruption should be sustained. Staff commend the authorities for the adoption of the Anti-Corruption law, the submission to Cabinet of a new draft organic law for the Court of Audit, and the adoption of a plan to strengthen ANIF. Pressing ahead with governance reforms and empowering the relevant institutions will complement PFM reforms.

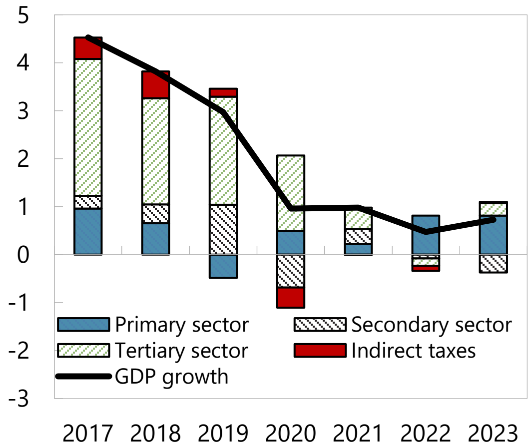
42. The authorities are urged to expedite efforts to maintain disbursements from the World Bank and the AfDB. This includes meeting the requirements established by the World Bank for financing certain non-discretionary fiscal expenditures in critical service delivery areas and concurrently the IMF's budget support for the same purpose.

43. Based on CAR's performance under the program, the implementation of the end-June 2023 regional policy assurances, commitment to prudent macroeconomic policies and structural reform agenda, as well as the rising BoP needs in connection with critically needed infrastructure development, staff supports the request of waiver for non-observance of CPC, the request for extension of the Poverty Reduction and Growth Strategy to the third review, the request for augmentation of access, the completion of the financing assurances review and the completion of the second review under the ECF arrangement. The authorities understand the importance of closely engaging with creditors to ensure obligations are current. Staff proposes that completion of the third review be conditional on the implementation of critical policy assurances at the union level, as established in the upcoming June 2024 union-wide background paper.

Figure 1. Recent Economic Developments

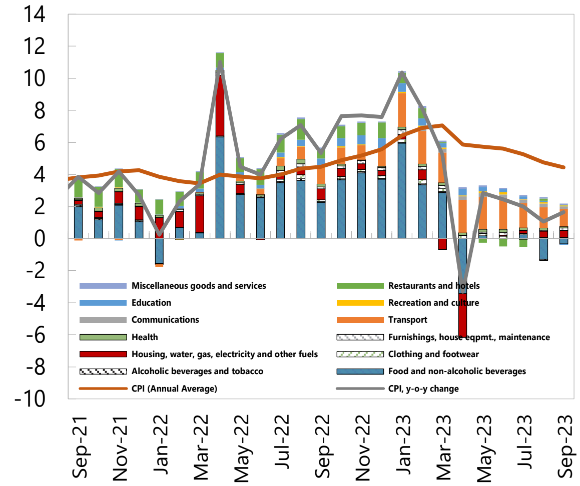
Limited fuel imports and frequent electricity outages hampered economic growth in 2023.

Contribution to Growth
(Percent)



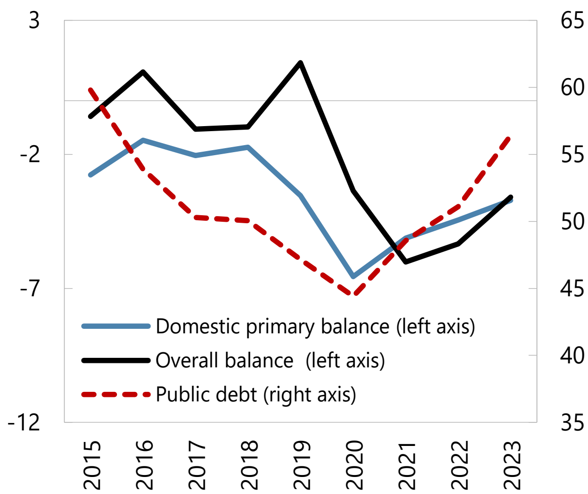
Inflation softened in 2023Q3 due to lower fuel prices and better food supply.

Contribution to Inflation
(Percent)



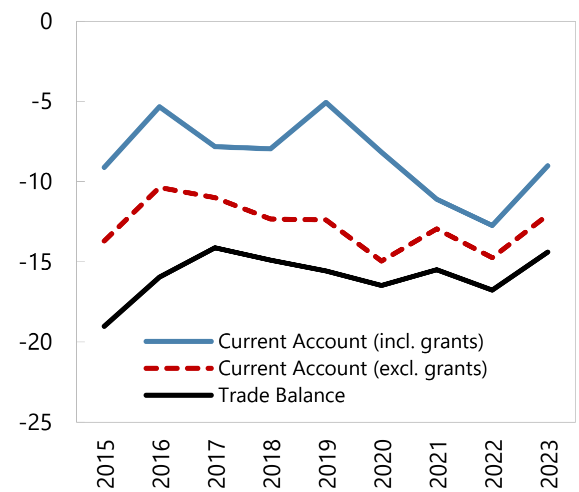
Public debt has increased reflecting mounting debt issuances in the CEMAC market.

Debt and Fiscal Deficit
(Percent of GDP)



The current account narrowed in 2023 as the terms of trade improved and budget support gradually resumed.

External Sector
(Percent of GDP)

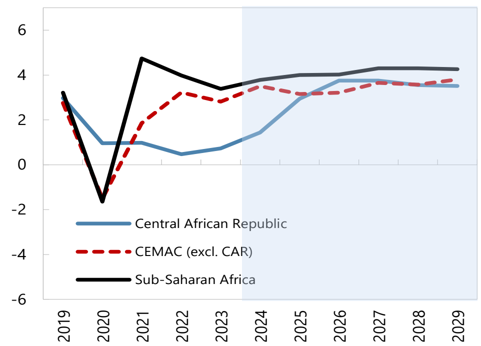


Sources: CAR authorities and IMF staff estimates

Figure 2. Medium-Term Economic Prospects, 2019-2029

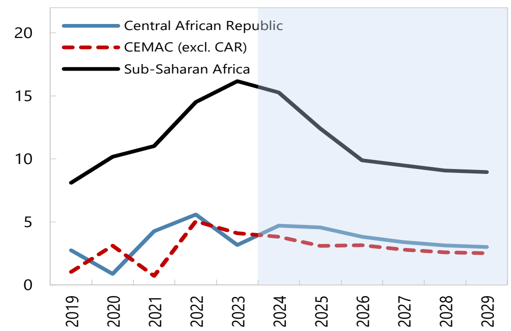
Growth should accelerate over the medium-term if fuel shortages are resolved while donor support and private investment reignite.

Real GDP
(Percent Change)



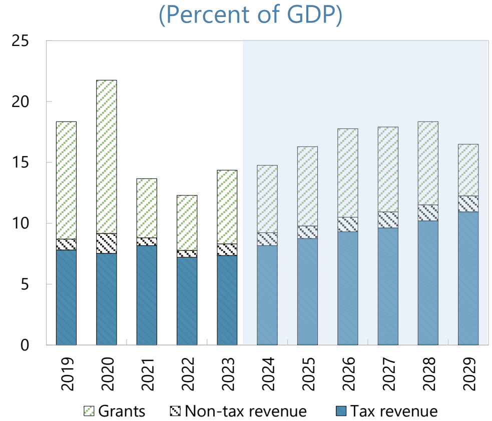
Inflation would subside owing to more stable energy prices, transportation costs, and food supply.

CPI Average
(Percent Change)



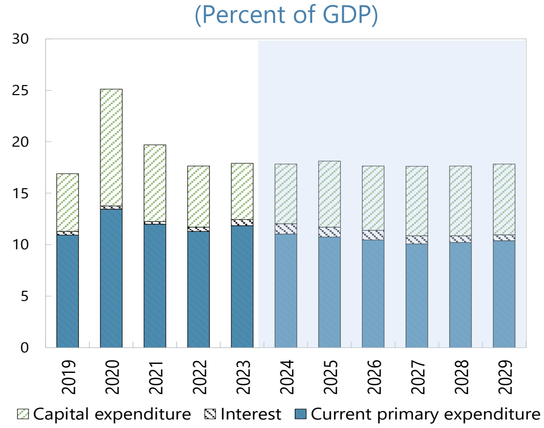
Domestic revenue mobilization should increase in line with fiscal structural reforms…

Government Revenue
(Percent of GDP)



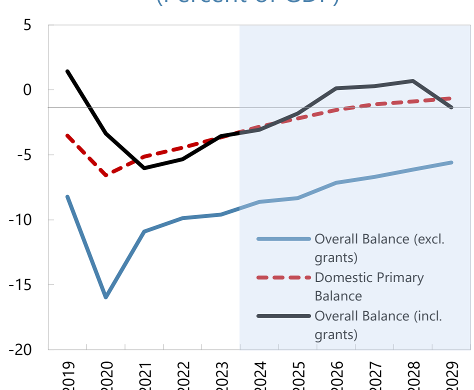
…increasing fiscal space to reallocate expenditure to favor the provision of public goods and services.

Government Expenditure
(Percent of GDP)



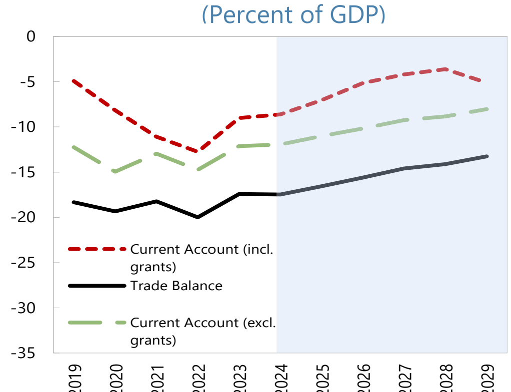
As a result of these fiscal efforts, deficits would narrow…

Fiscal Position
(Percent of GDP)



…with a concomitant reduction in the current account deficit.

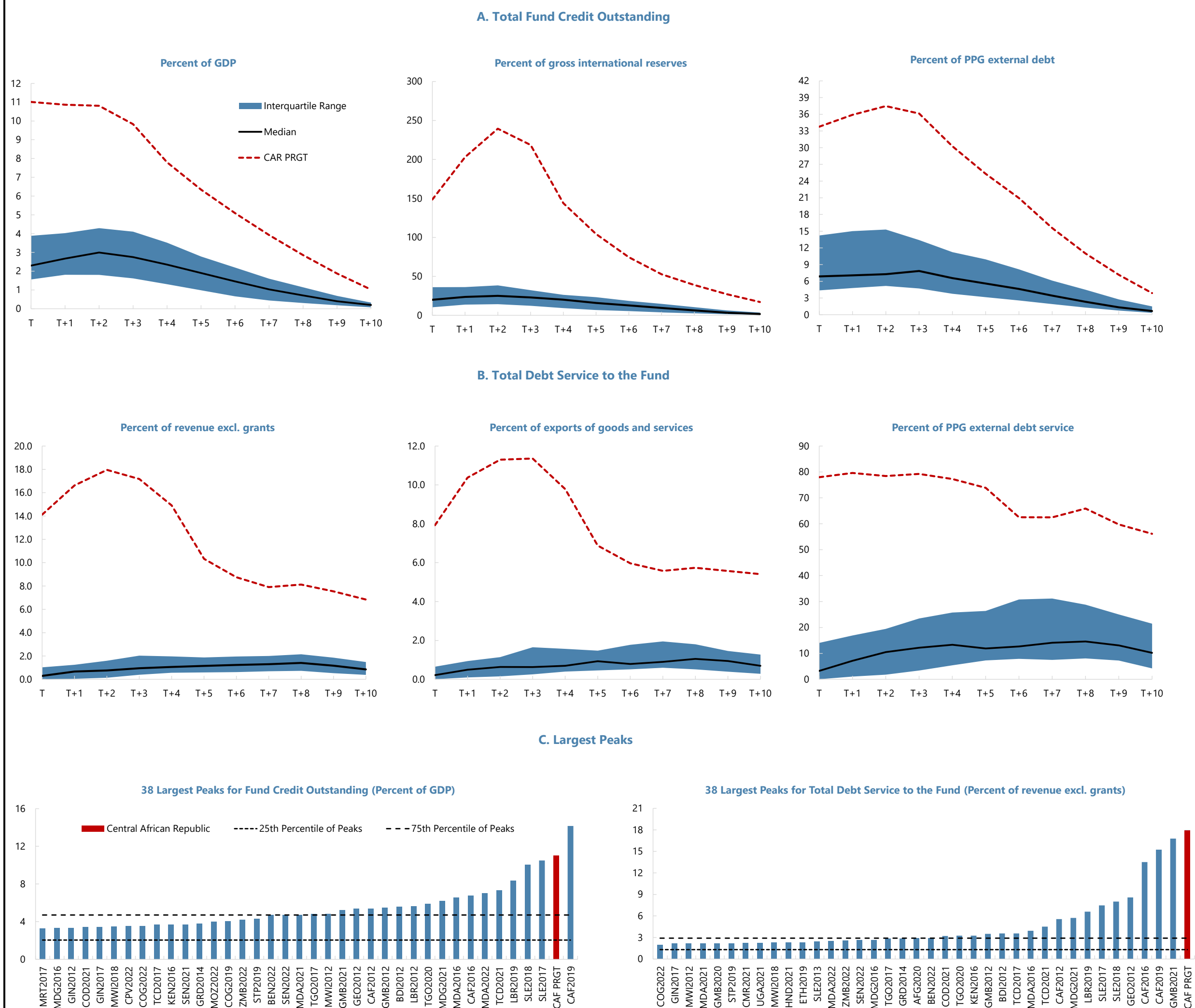
External Position
(Percent of GDP)



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, 2021-2029

	2021	2022	2023		2024		2025	2026	2027	2028	2029
	Act.	Act.	ECF 1st Review	Act.	ECF 1st Review	Proj.	Projections				
	(Annual percentage change; unless otherwise indicated)										
National income and prices											
GDP at constant prices	1.0	0.5	1.0	0.7	1.5	1.4	2.9	3.7	3.7	3.6	3.5
GDP per capita at constant prices	-1.0	-1.5	-1.1	-1.3	-0.5	-0.6	1.0	1.6	1.6	1.4	1.4
GDP at current prices	4.3	6.9	7.9	4.2	6.1	7.5	7.5	7.7	7.1	6.8	6.7
GDP deflator	3.3	6.4	6.9	3.4	4.6	6.0	4.4	3.8	3.3	3.1	3.0
CPI (annual average)[1]	4.3	5.6	6.5	3.2	3.2	4.7	4.6	3.8	3.4	3.1	3.0
CPI (end-of-period)	2.7	7.6	5.5	4.0	2.8	5.0	4.2	3.5	3.3	3.0	3.0
Money and credit											
Broad money	14.6	2.5	3.6	7.3	2.9	4.5	10.0	3.6	6.1	7.4	7.6
Credit to the economy	-2.2	28.2	13.0	0.4	7.4	5.1	5.2	5.2	5.6	5.8	5.9
External sector											
Export volume of goods	-5.3	2.6	9.0	9.0	5.2	12.0	8.7	5.4	9.2	14.6	14.7
Import volume of goods	-11.5	-5.5	7.4	5.5	7.1	10.7	5.7	4.1	9.0	7.1	7.2
Terms of trade	1.8	-8.4	14.7	14.4	7.9	6.8	7.5	2.8	11.8	2.0	3.4
	(Percent of GDP; unless otherwise indicated)										
Gross national savings	4.6	2.1	7.0	6.0	7.5	7.2	10.0	12.3	14.4	16.0	15.7
Of which: current official transfers	0.0	0.0	1.5	1.1	1.0	1.4	2.0	3.0	3.1	3.2	1.0
Gross domestic savings	-2.5	-5.1	-1.6	-2.4	-1.0	-1.7	0.5	1.8	4.0	5.6	7.6
Government	-3.4	-3.8	-3.5	-4.1	-2.4	-2.7	-1.8	-0.8	0.1	0.7	0.6
Private sector	0.9	-1.3	1.9	1.7	1.4	1.0	2.3	2.6	3.8	4.8	7.0
Consumption	102.5	105.1	101.6	102.4	101.0	101.7	99.5	98.2	96.0	94.4	92.4
Government	9.1	8.4	8.3	8.5	7.8	8.0	7.8	7.6	7.3	7.5	7.6
Private sector	93.4	96.8	93.3	93.9	93.2	93.7	91.7	90.6	88.7	86.9	84.8
Gross investment	15.7	14.9	15.6	15.0	15.8	15.8	16.9	17.3	18.3	19.0	19.7
Government	7.4	5.9	6.1	5.5	5.8	5.8	6.4	6.3	6.7	6.8	6.9
Private sector	8.3	8.9	9.5	9.5	10.0	10.0	10.5	11.1	11.6	12.2	12.8
External current account balance											
with grants	-11.1	-12.7	-8.6	-9.0	-8.3	-8.6	-7.0	-5.0	-4.0	-2.9	-3.9
without grants	-13.0	-14.7	-12.1	-12.1	-11.3	-12.0	-10.9	-10.1	-9.0	-6.1	-6.8
Overall balance of payments	0.1	-7.8	-2.6	-2.9	-3.0	-3.3	-1.4	0.6	3.0	4.0	5.0
Central government finance											
Total revenue (including grants)	13.7	12.3	14.7	14.4	14.2	14.8	16.3	17.8	17.9	18.3	15.8
of which: domestic revenue	8.8	7.8	8.3	8.3	9.0	9.2	9.8	10.5	10.9	11.5	11.5
Total expenditure[2]	19.7	17.6	18.0	17.9	17.3	17.8	18.1	17.7	17.6	17.7	17.8
of which: capital spending	7.4	5.9	6.1	5.5	5.8	5.8	6.4	6.3	6.7	6.9	6.9
Overall balance											
Excluding grants	-10.9	-9.9	-9.7	-9.6	-8.3	-8.6	-8.3	-7.2	-6.7	-6.1	-6.3
Including grants	-6.0	-5.3	-3.3	-3.6	-3.1	-3.1	-1.8	0.1	0.3	0.7	-2.1
Domestic primary balance[3]	-5.1	-4.4	-3.8	-3.7	-2.8	-2.8	-2.2	-1.5	-1.1	-0.9	-1.4
Public sector debt	48.5	51.1	52.9	57.7	53.3	57.3	55.4	50.8	47.3	43.5	42.7
Of which: domestic debt[4]	13.2	18.2	20.3	25.1	22.0	26.1	25.6	22.7	20.6	16.3	15.2
Of which: external debt	35.3	32.8	32.6	32.6	31.3	31.2	29.8	28.2	26.7	27.2	27.5
Memorandum items:											
GDP per capita (US dollars)	525	490	538	514	566	539	567	598	628	656	685
Nominal GDP (CFAF billions)	1,432	1,531	1,651	1,595	1,752	1,714	1,842	1,984	2,125	2,269	2,420

Sources: CAR authorities and IMF Staff estimates and projections.

[1] Revision of CPI weights and transition to COICOP was performed starting from 2020.

[2] Expenditure is on a cash basis.

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

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

Table 2a. Central African Republic: Central Government Financial Operations, 2021-2029
(CFAF Billion)

	2021	2022	2023		2024		2025	2026	2027	2028	2029
	Act.	Act.	ECF 1st Review	Act.	ECF 1st Review	Proj.	Projections				
Revenue	195.8	188.2	242.4	229.1	248.3	253.0	300.2	352.5	380.6	416.0	381.9
Domestic revenue	125.9	119.0	137.4	132.5	158.0	158.0	180.3	208.3	232.2	261.1	279.0
Tax revenue	117.1	110.2	121.0	117.1	139.8	139.9	161.0	184.3	204.5	231.4	247.3
Income and property tax	33.1	30.9	32.9	33.2	37.9	37.9	42.0	47.3	49.5	56.0	61.0
Taxes on goods and services	53.1	49.2	54.7	50.6	63.6	63.6	72.6	82.6	90.3	100.4	106.9
Of which: VAT	24.5	22.9	26.2	27.0	32.9	32.9	40.3	49.4	55.4	66.0	73.1
Taxes on international trade	30.9	30.1	33.4	33.3	38.4	38.4	46.3	54.4	64.7	75.0	79.3
Non-tax revenue	8.9	8.8	16.4	15.5	18.2	18.2	19.3	24.0	27.7	29.7	31.8
Grants	69.8	69.2	105.0	96.5	90.3	95.0	120.0	144.2	148.5	154.9	102.9
Program	0.0	0.0	24.0	18.1	17.1	23.4	36.6	60.0	65.0	73.0	23.0
Project	69.8	69.2	81.0	78.4	73.2	71.6	83.4	84.2	83.5	81.9	79.9
Expenditure[1]	282.0	270.0	297.3	285.7	302.9	305.7	333.9	350.2	374.4	400.5	431.6
Current primary expenditure	171.7	173.1	187.7	189.2	189.1	189.1	198.0	207.5	214.2	232.2	251.5
Wages and salaries	81.2	86.9	93.7	88.2	96.0	96.0	99.8	104.2	108.3	117.3	124.9
Transfers and subsidies	40.8	45.2	50.3	53.7	51.7	51.7	54.0	57.1	58.1	61.0	66.7
Goods and services	49.7	40.9	43.7	47.3	41.4	41.4	44.2	46.2	47.8	53.9	59.9
Interest	4.0	6.2	9.5	9.5	13.0	17.4	17.9	18.4	17.0	14.3	14.1
External	1.4	1.4	1.6	0.9	1.7	1.9	1.9	2.0	2.0	2.0	2.0
Domestic	2.6	4.8	7.9	8.6	11.3	15.5	16.0	16.4	15.0	12.3	12.1
Capital expenditure	106.3	90.7	100.0	87.1	100.8	99.2	118.0	124.3	143.2	154.0	166.0
Domestically financed	27.7	14.0	12.0	1.6	17.6	17.6	22.8	31.5	41.7	49.1	60.7
Externally financed	78.6	76.7	88.0	85.4	83.2	81.6	95.2	92.8	101.5	104.9	105.3
Overall balance											
Excluding grants	-156.1	-151.1	-159.9	-153.2	-145.0	-147.7	-153.6	-141.9	-142.2	-139.3	-152.6
Of which: domestic primary balance[2]	-73.5	-68.1	-62.3	-58.3	-48.7	-48.7	-40.5	-30.7	-23.7	-20.1	-33.2
Including grants	-86.3	-81.8	-54.9	-56.7	-54.6	-52.7	-33.7	2.3	6.2	15.6	-49.7
Primary balance	-82.3	-75.6	-45.4	-47.2	-41.6	-35.3	-15.8	20.7	23.2	29.9	-35.6
Net change in arrears ((-) = reduction)	-11.4	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-11.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-0.9	-7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-98.6	-89.2	-54.9	-56.1	-54.6	-52.7	-33.7	2.3	6.2	15.6	-49.7
Identified financing	98.6	89.2	54.9	56.1	54.6	52.7	33.7	-2.4	-6.2	-15.6	49.7
External, net	5.3	0.5	0.5	2.3	3.3	3.3	2.8	14.4	38.1	43.3	95.6
Project loans	8.8	7.5	7.0	7.0	10.0	10.0	11.8	8.6	18.0	23.0	25.4
Program loans[3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0	30.0	30.0	80.0
Amortization	-5.6	-6.3	-5.3	-4.7	-5.6	-5.6	-8.6	-8.8	-9.5	-9.7	-9.8
Exceptional financing (DSSI)	2.2	-0.7	-1.1	0.0	-1.1	-1.1	-0.4	-0.4	-0.4	0.0	0.0
Domestic, net	93.2	88.7	54.4	53.8	51.3	49.4	30.9	-16.7	-44.3	-58.9	-45.9
Banking system	87.9	84.7	52.5	51.9	51.3	49.4	30.9	-16.7	-44.3	-58.9	-45.9
BEAC	60.9	53.0	-3.9	-23.8	0.5	-1.2	0.6	2.0	-33.8	-23.2	-22.9
Loans	0.4	0.0	0.0	0.0	0.0	0.0	-2.2	-2.2	-2.2	-2.2	-2.2
Use of SDR allocation	35.0	50.5	0.6	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Counterpart to IMF credits (BEAC)	14.2	-1.7	-2.0	-2.0	2.4	3.4	4.3	2.2	-33.4	-21.7	-19.2
Deposit withdrawals	11.3	4.3	-2.5	-24.0	-1.9	-4.6	-1.5	2.0	1.8	0.6	-1.5
Commercial banks	27.0	31.7	56.4	75.7	50.8	50.6	30.3	-18.7	-10.5	-35.7	-23.0
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing (CCRT)[4]	3.5	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts and others	1.8	1.8	1.9	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Fuel Revenue	26.2	9.3	14.0	12.5	17.0	17.0	24.0	27.0	34.0	40.0	43.6
Primary Spending	199.4	187.1	199.7	190.8	206.7	206.7	220.8	239.0	255.9	281.3	312.2
Total government debt	695.4	781.5	872.7	920.9	933.6	981.7	1020.2	1008.6	1004.3	986.5	1034.1
Government domestic currency debt[5]	189.6	278.9	334.9	400.7	385.7	446.8	471.2	450.1	437.1	397.7	368.8
Nominal GDP	1,432	1,531	1,651	1,595	1,752	1,714	1,842	1,984	2,125	2,269	2,420

Sources: CAR 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] Covers debt service relief covering all payments due to the IMF from April 14, 2020 to April 13, 2022 under 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, 2021-2029

(Percent GDP)

	2021	2022	2023		2024		2025	2026	2027	2028	2029
	Act.	Act.	ECF 1st Review	Act.	ECF 1st Review	Proj.	Projections				
Revenues	13.7	12.3	14.7	14.4	14.2	14.8	16.3	17.8	17.9	18.3	15.8
Domestic revenue	8.8	7.8	8.3	8.3	9.0	9.2	9.8	10.5	10.9	11.5	11.5
Tax revenue	8.2	7.2	7.3	7.3	8.0	8.2	8.7	9.3	9.6	10.2	10.2
Income and property tax	2.3	2.0	2.0	2.1	2.2	2.2	2.3	2.4	2.3	2.5	2.5
Taxes on goods and services	3.7	3.2	3.3	3.2	3.6	3.7	3.9	4.2	4.3	4.4	4.4
Of which: VAT	1.7	1.5	1.6	1.7	1.9	1.9	2.2	2.5	2.6	2.9	3.0
Taxes on international trade	2.2	2.0	2.0	2.1	2.2	2.2	2.5	2.7	3.0	3.3	3.3
Non-tax revenue	0.6	0.6	1.0	1.0	1.0	1.1	1.0	1.2	1.3	1.3	1.3
Grants	4.9	4.5	6.4	6.1	5.2	5.5	6.5	7.3	7.0	6.8	4.3
Program	0.0	0.0	1.5	1.1	1.0	1.4	2.0	3.0	3.1	3.2	1.0
Project	4.9	4.5	4.9	4.9	4.2	4.2	4.5	4.2	3.9	3.6	3.3
Expenditure[1]	19.7	17.6	18.0	17.9	17.3	17.8	18.1	17.7	17.6	17.7	17.8
Current primary expenditure	12.0	11.3	11.4	11.9	10.8	11.0	10.7	10.5	10.1	10.2	10.4
Wages and salaries	5.7	5.7	5.7	5.5	5.5	5.6	5.4	5.3	5.1	5.2	5.2
Transfers and subsidies	2.8	3.0	3.0	3.4	3.0	3.0	2.9	2.9	2.7	2.7	2.8
Goods and services	3.5	2.7	2.6	3.0	2.4	2.4	2.4	2.3	2.2	2.4	2.5
Interest	0.3	0.4	0.6	0.6	0.7	1.0	1.0	0.9	0.8	0.6	0.6
External	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Domestic	0.2	0.3	0.5	0.5	0.6	0.9	0.9	0.8	0.7	0.5	0.5
Capital expenditure	7.4	5.9	6.1	5.5	5.8	5.8	6.4	6.3	6.7	6.8	6.9
Domestically financed	1.9	0.9	0.7	0.1	1.0	1.0	1.2	1.6	2.0	2.2	2.5
Externally financed	5.5	5.0	5.3	5.4	4.8	4.8	5.2	4.7	4.8	4.6	4.4
Overall balance											
Excluding grants	-10.9	-9.9	-9.7	-9.6	-8.3	-8.6	-8.3	-7.2	-6.7	-6.1	-6.3
Of which: domestic primary balance[2]	-5.1	-4.4	-3.8	-3.7	-2.8	-2.8	-2.2	-1.5	-1.1	-0.9	-1.4
Including grants	-6.0	-5.3	-3.3	-3.6	-3.1	-3.1	-1.8	0.1	0.3	0.7	-2.1
Net change in arrears ((-) = reduction)	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-0.8	0.0	0.0	0.0	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	0.0	0.0
Errors and omissions	-0.1	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-6.9	-5.8	-3.3	-3.5	-3.1	-3.1	-1.8	0.1	0.3	0.7	-2.1
Identified financing	6.9	5.8	3.3	3.5	3.1	3.1	1.8	-0.1	-0.3	-0.7	2.1
External, net	0.4	0.0	0.0	0.1	0.2	0.2	0.2	0.7	1.8	1.9	4.0
Project loans	0.6	0.5	0.4	0.4	0.6	0.6	0.6	0.4	0.8	1.0	1.1
Program loans[3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.4	1.3	3.3
Amortization	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.5	-0.4	-0.4	-0.4	-0.4
Exceptional financing (DSSI)	0.2	0.0	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Domestic, net	6.5	5.8	3.3	3.4	2.9	2.9	1.7	-0.8	-2.1	-2.6	-1.9
Banking system	6.1	5.5	3.2	3.3	2.9	2.9	1.7	-0.8	-2.1	-2.6	-1.9
BEAC	4.3	3.5	-0.2	-1.5	0.0	-0.1	0.0	0.1	-1.6	-1.0	-0.9
Loans	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Use of SDR allocation	2.4	3.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Counterpart to IMF credits (BEAC)	1.0	-0.1	-0.1	-0.1	0.1	0.2	0.2	0.1	-1.6	-1.0	-0.8
Deposit withdrawals	0.8	0.3	-0.2	-1.5	-0.1	-0.3	-0.1	0.1	0.1	0.0	-0.1
Commercial banks	1.9	2.1	3.4	4.7	2.9	3.0	1.6	-0.9	-0.5	-1.6	-1.0
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing (CCRT)[4]	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts and Others	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Fuel Revenue	1.8	0.6	0.8	0.8	1.0	1.0	1.3	1.4	1.6	1.8	1.8
Primary Spending	13.9	12.2	12.1	12.0	11.8	12.1	12.0	12.0	12.0	12.4	12.9
Total government debt	48.5	51.1	52.9	57.7	53.3	57.3	55.4	50.8	47.3	43.5	42.7
Government domestic debt[5]	13.2	18.2	20.3	25.1	22.0	26.1	25.6	22.7	20.6	17.5	15.2

Sources: CAR 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] Covers debt service relief covering all payments due to the IMF from April 14, 2020 to April 13, 2022 under Catastrophe Containment and Relief Trust (CCRT).

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

Table 3. Central African Republic: Monetary Accounts, 2021-2029

(CFAF Billion, unless otherwise indicated)

	2021	2022	2023		2024		2025	2026	2027	2028	2029
	Act.	Act.	ECF 1st Review	Act.	ECF 1st Review	Proj.	Projections				
				(CFAF billions, unless otherwise indicated)							
Net foreign assets	72.0	13.9	-43.5	71.5	-86.2	16.8	-8.3	3.3	82.8	179.0	305.3
Bank of Central African States (BEAC)	-11.1	-56.6	-136.5	-4.3	-184.8	-55.6	-74.4	-69.3	-2.7	87.7	208.0
Foreign Assets	291.9	242.6	167.1	298.0	121.1	249.7	235.2	242.5	275.7	344.4	445.4
Foreign Liabilities	303.0	299.2	303.5	302.2	305.9	305.3	309.6	311.8	278.4	256.7	237.5
SDR allocation	130.0	131.6	137.9	127.9	137.9	127.9	127.9	127.9	130.8	130.8	130.8
Use of IMF credit	170.6	166.5	166.8	172.2	169.2	175.6	179.9	182.1	148.7	127.0	107.8
Other foreign liabilities	2.4	1.0	-1.2	1.8	-1.2	1.8	1.8	1.8	1.8	1.8	1.8
Commercial banks	83.0	70.5	93.0	75.7	98.6	72.4	66.2	72.5	85.5	91.2	97.3
Net domestic assets	402.4	528.4	550.2	563.3	607.8	593.2	627.1	649.1	617.9	564.1	523.8
Domestic credit	520.2	653.4	679.8	706.2	745.3	766.7	809.6	805.6	775.6	732.3	703.3
Credit to the public sector	348.3	433.0	488.2	484.9	539.5	534.3	565.2	548.5	504.2	445.3	399.4
Credit to central government (net)	348.3	433.0	488.2	484.9	539.5	534.3	565.2	548.5	504.2	445.3	399.4
BEAC	313.5	366.5	362.6	342.7	363.1	341.5	342.1	344.1	310.3	287.1	264.2
Loans	115.0	115.0	115.0	115.0	115.0	115.0	112.8	110.7	108.5	106.3	104.1
Use of SDR allocation	35.0	85.5	86.1	87.7	86.1	87.7	87.7	87.7	87.7	87.7	87.7
IMF credit (net)	170.6	166.5	166.8	172.2	169.2	175.6	179.9	182.1	148.7	127.0	107.8
Deposits	-7.1	-2.8	-5.3	-32.2	-7.2	-36.8	-38.3	-36.3	-34.6	-33.9	-35.4
Commercial banks	34.8	66.6	125.6	142.2	176.4	192.8	223.1	204.4	193.9	158.2	135.2
Credit to the economy	171.9	220.3	191.7	221.2	205.8	232.4	244.4	257.1	271.4	287.0	303.9
Public enterprises	11.9	18.3	11.9	10.2	11.9	10.2	10.2	10.2	10.2	10.2	10.2
Private sector	160.1	202.1	179.8	211.0	194.0	222.2	234.2	246.8	261.2	276.8	293.7
Other items (net)	-117.9	-125.0	-129.6	-142.8	-137.5	-173.5	-182.5	-156.5	-157.6	-168.3	-179.5
Money and quasi-money	477.1	488.9	506.7	524.4	521.6	548.2	603.1	624.6	662.5	711.5	765.9
Currency	239.1	254.8	266.1	270.6	272.3	280.9	311.9	321.8	338.7	347.6	364.8
Deposits	238.0	234.1	240.7	253.7	249.3	267.2	291.2	302.8	323.7	363.9	401.1
Demand deposits	163.3	158.8	159.3	171.8	163.1	178.7	196.0	201.0	215.4	239.9	259.9
Term and savings deposits	74.7	75.3	81.3	81.9	86.3	88.5	95.2	101.8	108.4	124.0	141.2
				(Annual percentage change)							
Net foreign assets	-18.9	-80.6	124.8	412.3	98.0	-76.5	-149.2	-139.5	2440.7	116.2	70.6
Net domestic assets	22.8	31.3	8.3	6.6	10.5	5.3	5.7	3.5	-4.8	-8.7	-7.1
Monetary base	2.5	4.1	7.9	5.9	6.1	5.6	5.3	7.7	7.1	6.8	6.7
Credit to the economy	-2.2	28.2	13.0	0.4	7.4	5.1	5.2	5.2	5.6	5.8	5.9
Public enterprises	39.6	54.0	0.0	-44.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	-4.3	26.2	14.0	4.4	7.9	5.3	5.4	5.4	5.8	6.0	6.1
Memorandum items:											
NDA of the central bank (CFAF billions)	292.6	349.8	461.1	314.7	529.2	383.2	419.3	440.6	400.5	336.9	245.0
Monetary base (CFAF billions)	281.5	293.2	324.6	310.4	344.4	327.7	344.9	371.3	397.8	424.6	453.0
Nominal GDP (CFAF billions)	1432	1531	1651	1595	1752	1714	1842	1984	2125	2269	2420
Velocity (GDP/broad money)											
End of period	3.0	3.1	3.3	3.0	3.4	3.1	3.1	3.2	3.2	3.2	3.2

Sources: CAR authorities and IMF Staff estimates and projections.

Table 4a. Central African Republic: Balance of Payments, 2021-2029

(CFAF Billion)

	2021	2022	2023		2024		2025	2026	2027	2028	2029
	Act.	Act.	ECF 1st Review	Act.	ECF 1st Review	Proj.	Projections				
Current account	-158.7	-195.1	-142.3	-143.9	-145.9	-147.6	-128.2	-99.7	-84.2	-66.6	-94.9
Balance on goods	-221.9	-257.1	-236.1	-229.7	-235.5	-232.9	-227.2	-237.5	-229.2	-229.7	-219.3
Exports, f.o.b.	91.4	104.9	120.2	119.6	131.3	136.7	157.1	176.3	209.1	249.1	297.1
of which: Diamonds	6.9	9.6	13.8	13.8	19.7	17.9	23.6	28.6	35.6	44.6	56.2
of which: Wood products	48.3	47.8	54.6	54.6	56.6	63.9	71.9	78.4	99.4	117.0	138.2
Imports, f.o.b.	-313.3	-362.0	-356.3	-349.3	-366.8	-369.7	-384.3	-413.8	-438.3	-478.8	-516.4
of which: Petroleum products	-88.0	-107.3	-84.5	-83.7	-85.8	-88.3	-89.9	-92.2	-95.8	-108.7	-116.0
Services (net)	-39.2	-49.0	-47.8	-48.1	-59.0	-66.8	-76.3	-69.5	-76.0	-74.6	-72.5
Credit	104.7	105.2	116.7	116.5	116.7	116.5	131.0	141.5	149.5	158.4	166.1
Debit	-143.9	-154.2	-164.6	-164.6	-175.7	-183.2	-207.3	-210.9	-225.5	-233.0	-238.6
Income (net)	-1.2	-1.9	-6.8	-6.8	-7.5	-7.9	-6.0	-6.0	-6.0	-6.0	-6.0
Credit	13.2	13.3	13.4	13.3	13.6	13.5	14.2	14.7	15.3	15.8	16.4
Debit	-14.4	-15.2	-20.1	-20.1	-21.0	-21.5	-20.2	-20.7	-21.3	-21.8	-22.4
Transfers (net)	103.6	113.0	148.3	140.6	156.1	160.0	181.3	213.3	227.0	243.8	202.9
Private	76.8	82.3	91.0	91.1	103.7	102.6	108.0	113.6	119.4	125.6	132.1
Official	26.9	30.7	57.3	49.6	52.4	57.4	73.3	99.8	107.6	118.2	70.8
of which: Program	0.0	0.0	24.0	18.1	17.1	23.4	36.6	60.0	65.0	73.0	23.0
Capital account	69.8	69.2	81.0	78.4	73.2	71.6	83.4	83.4	83.5	81.9	79.9
Project grants	69.8	69.2	81.0	78.4	73.2	71.6	83.4	83.4	83.5	81.9	79.9
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	89.7	6.2	19.0	19.0	19.4	19.1	19.0	28.2	63.6	75.1	135.3
Direct investment	3.0	15.0	23.5	23.5	24.5	24.5	25.5	28.3	34.6	40.2	45.3
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	86.7	-8.8	-4.5	-4.5	-5.1	-5.4	-6.5	-0.1	29.1	34.9	90.0
Public sector (net)	91.7	1.2	0.5	0.5	-0.1	-0.4	-1.5	9.9	34.1	39.9	95.0
Project disbursement	8.8	7.5	7.0	7.0	10.0	10.0	11.8	8.6	18.0	23.0	25.4
Program disbursement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0	30.0	30.0	80.0
Scheduled amortization	-5.6	-6.3	-6.5	-6.5	-10.1	-10.4	-13.4	-13.7	-13.9	-13.1	-10.5
Monetary authorities (SDR allocation)	88.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other short-term flows	-5.0	-10.0	-5.0	-5.0	-5.0	-5.0	-5.0	-10.0	-5.0	-5.0	-5.0
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.8	-119.6	-42.3	-46.5	-53.2	-56.9	-25.8	12.0	62.9	90.4	120.2
Identified financing	-89.4	119.6	42.3	46.5	53.2	56.9	25.9	-12.8	-62.9	-90.4	-120.2
Net IMF credit	14.2	-1.7	10.5	10.6	8.4	9.8	11.8	-4.2	-29.3	-21.7	-19.2
IMF purchase	-18.8	0.0	-24.5	-24.8	-29.0	-30.9	-38.8	-26.3	0.0	0.0	0.0
IMF repurchase	4.6	1.7	14.1	14.2	20.6	21.1	27.1	30.5	29.3	21.7	19.2
Other reserves (increase = -)	-109.3	119.9	33.0	37.0	45.9	48.3	14.5	-7.4	-33.2	-68.7	-101.0
Exceptional financing	5.7	1.5	-1.1	-1.1	-1.1	-1.1	-0.4	-1.3	-0.4	0.0	0.0
Debt rescheduling (DSSI)	2.2	-0.7	-1.1	-1.1	-1.1	-1.1	-0.4	-0.4	-0.4	0.0	0.0
Other exceptional financing (CCRT)[1]	3.5	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt payment arrears (reduction=-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Terms of trade (percent change)	1.8	-8.4	14.7	14.4	7.9	6.8	7.5	2.8	11.8	2.0	3.4
Unit price of exports	16.7	11.9	5.1	4.6	3.8	2.1	5.7	6.4	8.6	3.9	4.0
Unit price of imports	14.6	22.2	-8.3	-8.6	-3.9	-4.4	-1.7	3.4	-2.9	1.9	0.6
Current account (percent of GDP)	-11.1	-12.7	-8.6	-9.0	-8.3	-8.6	-7.0	-5.0	-4.0	-2.9	-3.9
Capital account (percent of GDP)	4.9	4.5	4.9	4.9	4.2	4.2	4.5	4.2	3.9	3.6	3.3
Nominal GDP (CFAF billions)	1,432	1,531	1,651	1,595	1,752	1,714	1,842	1,984	2,125	2,269	2,420

Sources: CAR authorities and IMF Staff estimates and projections.

[1] Covers debt service relief covering all payments 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, 2021-2029

(Percent GDP)

	2021	2022	2023		2024		2025	2026	2027	2028	2029
	Act.	Act.	ECF 1st Review	Act.	ECF 1st Review	Proj.	Projections				
Current account	-11.1	-12.7	-8.6	-9.0	-8.3	-8.6	-7.0	-5.0	-4.0	-2.9	-3.9
Balance on goods	-15.5	-16.8	-14.3	-14.4	-13.4	-13.6	-12.3	-12.0	-10.8	-10.1	-9.1
Exports, f.o.b.	6.4	6.9	7.3	7.5	7.5	8.0	8.5	8.9	9.8	11.0	12.3
of which: Diamonds	0.5	0.6	0.8	0.9	1.1	1.0	1.3	1.4	1.7	2.0	2.3
of which: Wood products	3.4	3.1	3.3	3.4	3.2	3.7	3.9	4.0	4.7	5.2	5.7
Imports, f.o.b.	-21.9	-23.7	-21.6	-21.9	-20.9	-21.6	-20.9	-20.9	-20.6	-21.1	-21.3
of which: Petroleum products	-6.1	-7.0	-5.1	-5.2	-4.9	-5.2	-4.9	-4.6	-4.5	-4.8	-4.8
Services (net)	-2.7	-3.2	-2.9	-3.0	-3.4	-3.9	-4.1	-3.5	-3.6	-3.3	-3.0
Credit	7.3	6.9	7.1	7.3	6.7	6.8	7.1	7.1	7.0	7.0	6.9
Debit	-10.0	-10.1	-10.0	-10.3	-10.0	-10.7	-11.2	-10.6	-10.6	-10.3	-9.9
Income (net)	-0.1	-0.1	-0.4	-0.4	-0.4	-0.5	-0.3	-0.3	-0.3	-0.3	-0.2
Credit	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7
Debit	-1.0	-1.0	-1.2	-1.3	-1.2	-1.3	-1.1	-1.0	-1.0	-1.0	-0.9
Transfers (net)	7.2	7.4	9.0	8.8	8.9	9.3	9.8	10.8	10.7	10.7	8.4
Private	5.4	5.4	5.5	5.7	5.9	6.0	5.9	5.7	5.6	5.5	5.5
Official	1.9	2.0	3.5	3.1	3.0	3.3	4.0	5.0	5.1	5.2	2.9
of which: Program	0.0	0.0	1.5	1.1	1.0	1.4	2.0	3.0	3.1	3.2	1.0
Capital account	4.9	4.5	4.9	4.9	4.2	4.2	4.5	4.2	3.9	3.6	3.3
Project grants	4.9	4.5	4.9	4.9	4.2	4.2	4.5	4.2	3.9	3.6	3.3
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	6.3	0.4	1.2	1.2	1.1	1.1	1.0	1.4	3.0	3.3	5.6
Direct investment	0.2	1.0	1.4	1.5	1.4	1.4	1.4	1.4	1.6	1.8	1.9
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	6.1	-0.6	-0.3	-0.3	-0.3	-0.3	-0.4	0.0	1.4	1.5	3.7
Public sector (net)	6.4	0.1	0.0	0.0	0.0	0.0	-0.1	0.5	1.6	1.8	3.9
Project disbursement	0.6	0.5	0.4	0.4	0.6	0.6	0.6	0.4	0.8	1.0	1.1
Program disbursement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.4	1.3	3.3
Scheduled amortization	-0.4	-0.4	-0.4	-0.4	-0.6	-0.6	-0.7	-0.7	-0.7	-0.6	-0.4
Other short-term flows	-0.3	-0.7	-0.3	-0.3	-0.3	-0.3	-0.3	-0.5	-0.2	-0.2	-0.2
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.1	-7.8	-2.6	-2.9	-3.0	-3.3	-1.4	0.6	3.0	4.0	5.0
Identified financing	-6.2	7.8	2.6	2.9	3.0	3.3	1.4	-0.6	-3.0	-4.0	-5.0
Net IMF credit	1.0	-0.1	0.6	0.7	0.5	0.6	0.6	-0.2	-1.4	-1.0	-0.8
IMF purchase	-1.3	0.0	-1.5	-1.6	-1.7	-1.8	-2.1	-1.3	0.0	0.0	0.0
IMF repurchase	0.3	0.1	0.9	0.9	1.2	1.2	1.5	1.5	1.4	1.0	0.8
Other reserves (increase = -)	-7.6	7.8	2.0	2.3	2.6	2.8	0.8	-0.4	-1.6	-3.0	-4.2
Exceptional financing	0.4	0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0
Debt rescheduling (DSSI)	0.2	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Other exceptional financing (CCRT)[1]	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt payment arrears (reduction=-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Terms of trade (percent change)	1.8	-8.4	14.7	14.4	7.9	6.8	7.5	2.8	11.8	2.0	3.4
Unit price of exports	1.2	0.8	0.3	0.3	0.2	0.1	0.3	0.3	0.4	0.2	0.2
Unit price of imports	1.0	1.5	-0.5	-0.5	-0.2	-0.3	-0.1	0.2	-0.1	0.1	0.0
Nominal GDP (CFAF billions)	1,432	1,531	1,651	1,595	1,752	1,714	1,842	1,984	2,125	2,269	2,420

Sources: CAR authorities and IMF Staff estimates and projections.

[1] Covers debt service relief covering all payments 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, 2021-2029
(CFAF Billion)

	2021	2022	2023		2024		2025	2026	2027	2028	2029
	Act.	Act.	ECF 1st Review	Act.	ECF 1st Review	Proj.	Projections				
1. Total financing requirements	278.3	83.2	153.9	145.7	147.7	154.2	190.7	211.2	225.6	243.1	248.6
Current account deficit (excl. budget support)	158.7	195.1	166.3	162.0	163.0	171.0	164.8	159.7	149.2	139.6	117.9
Debt amortization	5.6	6.3	6.5	6.5	10.1	10.4	13.4	13.7	13.9	13.1	10.5
Repayment to the Fund	4.6	1.7	14.1	14.2	20.6	21.1	27.1	30.5	29.3	21.7	19.2
Change in other reserves	109.3	-119.9	-33.0	-37.0	-45.9	-48.3	-14.5	7.4	33.2	68.7	101.0
2. Total available financing	165.2	81.7	106.5	103.9	102.7	101.1	115.7	111.3	132.1	141.1	146.6
Capital transfers	69.8	69.2	81.0	78.4	73.2	71.6	83.4	83.4	83.5	81.9	79.9
Foreign direct investment (net)	3.0	15.0	23.5	23.5	24.5	24.5	25.5	28.3	34.6	40.2	45.3
Portfolio investment (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0
Debt financing	8.8	7.5	7.0	7.0	10.0	10.0	11.8	8.6	18.0	23.0	25.4
Public Sector	8.8	7.5	7.0	7.0	10.0	10.0	11.8	8.6	18.0	23.0	25.4
SDR allocation	88.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other net capital inflows	-5.0	-10.0	-5.0	-5.0	-5.0	-5.0	-5.0	-10.0	-5.0	-5.0	-5.0
3. Financing gap	113.1	1.5	47.4	41.8	45.0	53.1	75.0	99.8	93.6	102.0	102.0
4. Expected sources of financing	0.0	0.0	24.0	18.1	17.1	23.4	36.6	75.0	95.0	103.0	103.0
of which: Budget support (grants)[1]	0.0	0.0	24.0	18.1	17.1	23.4	36.6	60.0	65.0	73.0	23.0
of which: Budget support (loans)[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0	30.0	30.0	80.0
5. Residual financing gap	113.1	1.5	23.4	23.7	27.9	29.7	38.4	24.8	-1.4	-1.0	-1.0
ECF arrangement	18.8	0.0	24.5	24.8	29.0	30.9	38.8	26.3	0.0	0.0	0.0
RCF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CCRT[3]	3.5	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
G20 DSSI[4]	2.2	-0.7	-1.1	0.0	-1.1	-1.1	-0.4	-0.4	-0.4	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: CAR authorities and IMF Staff estimates and 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] Covers debt service relief covering all payments due to the IMF from April 14, 2020 to April 13, 2022 under 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, 2016-2023

(Percent)

Concept	2016	2017	2018	2019	2020	2021	2022	2023
Capital Adequacy								
Total bank regulatory capital to risk-weighted assets[1]	32.0	34.3	28.5	30.3	23.9	21.0	23.5	18.9
Total capital (net worth) to assets	16.1	17.7	15.1	15.9	13.8	13.9	14.0	11.1
Asset Quality								
Non-performing loans to total loans	26.2	25.1	17.6	16.1	17.5	13.9	14.5	16.2
Non-performing loans net of provision to capital	24.2	8.2	6.2	14.6	12.9	10.7	12.8	....
Earnings and Profitability								
Net income to average assets (ROA)	0.2	0.7	1.7	1.7	0.0	1.1	1.5	0.6
Net income to average capital (ROE)[2]	0.3	3.0	6.9	7.6	0.1	6.2	8.3	3.8
Non interest expense to gross income	81.3	85.2	90.5	78.9	71.5	82.2	....	....
Liquidity								
Liquid assets to total assets	31.9	30.7	29.9	26.3	32.2	26.9	28.3	25.7
Liquid assets to short-term liabilities	219.6	227.4	198.6	165.8	202.0	162.2	151.8	146.1

Source: Banking Commission of Central Africa (COBAC).
[1] Calculated according to the Basel I guidance.
[2] Return in ROE is calculated based on annualized net profit before tax.

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

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 18.60 million	16.70
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 19.15 million	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 24.07 million	21.61
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 23.19 million	20.81
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 32.00 million	28.73
Total		SDR 147.48 million	132.39

Note: CAR's quota is SDR 111.4 million

Table 8a. Central African Republic: Proposed Quantitative Performance Criteria and Indicative Targets, 2023-25

(CFAF Billion; Cumulative from Beginning of the Year, Unless Otherwise Specified)

	End-June 2023				End-September 2023				End-December 2023				End-March 2024	End-June 2024		End-September 2024		End-December 2024		End-March 2025	End-June 2025
	PC	Adjusted Target[7]	Actual	Status	IT	Adjusted Target[7]	Actual	Status	PC	Adjusted Target[8]	Actual	Status	IT	PC (Current)	PC (Proposed)	IT (Current)	IT (Proposed)	PC (Current)	PC (Proposed)	IT (Proposed)	PC (Proposed)
Quantitative performance criteria																					
Net domestic financing of the government (ceiling, cumulative flows for the year)	11.0	29.0	37.2	Not met	28.0	46.0	62.5	Not met	57.0	62.9	55.8	Met	18.0	30.0	30.0	40.0	40.0	55.0	55.0	15.0	17.0
Domestic government revenue (floor, cumulative for the year)[1]	62.0	--	67.4	Met	96.0	--	96.8	Met	130.0	--	132.5	Met	34.0	75.0	75.0	115.0	115.0	155.0	155.0	39.0	80.0
Domestic primary fiscal balance (floor, cumulative for the year)[2]	-24.0	--	-26.5	Not met	-35.0	--	-51.5	Not met	-64.0	--	-58.3	Met	-13.0	-22.0	-22.0	-33.0	-33.0	-50.0	-50.0	-10.0	-17.0
Continuous performance criteria																					
New external nonconcessional debt contracted or guaranteed by the Government (ceiling, cumulative)[3,4]	0.0	--	0.0	Met	0.0	--	0.0	Met	0.0	--	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disbursement of external nonconcessional debt (ceiling, cumulative)[3,4]	0.0	--	0.0	Met	0.0	--	0.0	Met	0.0	--	0.0	Met	0.0	0.0	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)[3,4]	0.0	--	1.1[5]	Not Met	0.0	--	1.8	Not Met	0.0	--	2.9	Not Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets																					
Social spending (floor, cumulative for the year)[6]	8.0	--	4.5	Not met	17.0	--	8.1	Not Met	22.0	--	10.4	Not Met	4.0	8.0	8.0	17.0	17.0	22.0	22.0	4.0	8.0
Spending using extraordinary procedures (ceiling, cumulative for the year)	2.5	--	13.2[5]	Not met	4.0	--	19.1	Not Met	5.0	--	23.6	Not Met	2.0	5.0	5.0	7.0	7.0	8.0	8.0	2.0	5.0
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	--	0.0	Met	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Memorandum items:																					
Budget support	18.0	--	0.0		18.0	--	0.0		24.0	--	18.1		0.0	6.3	6.0	11.1	12.3	17.1	23.4	0.0	15.0
Privatization receipts	0.0	--	1.9		0.0	--	1.9		1.9	--	1.9		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: CAR 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. For 2023, the measuring now starts on May 1st to be consistent with program approval instead of January 1st as in prior publications. From 2024 onwards, measuring will start on January 1.

[4] Contracted or guaranteed by the government.

[5] Updated to reflect revised data.

[6] 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.

[7] The ceilings on net domestic government financing as of end-June 2023 and end-September 2023 were adjusted-up to reflect the delay of the disbursement from the World Bank.

[8] The ceiling on net domestic government financing as of end-December 2023 was adjusted-up to reflect the delay of the disbursement from the African Development Bank.

Table 8b. Central African Republic: Standard Continuous Performance Criteria Under the ECF Arrangement

- Not to impose or intensify restrictions on the making of payments and transfers for current international transactions,
- Not to introduce or modify multiple currency practices,
- Not to conclude bilateral payment agreements which are inconsistent with Article VIII, and
- Not to impose or intensify import restrictions for balance of payment reasons.

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

Program Objectives	Structural Benchmarks	Macroeconomic Rationale	Timeline	Status
Prior action	Ensure i) the publication on the websites of the ministries of Energy or Finance of fuel price structures by marketer and import route; ii) the introduction of a new price structure for unlicensed fuel imports; iii) the modification of the tax and quasi-tax components consistent with the fuel action plan. Until July 24, 2024, the 10th of each month will serve as the deadline for publishing online the fuel price structures applicable to the previous month's transactions. If this deadline is not met, the fuel price structures from the previous month will be automatically applied. These changes should be transparently reflected as amendments to the Presidential Decree nº18.295 that regulates fuel import prices.	Enhance the transparency of the current price structures	Five days before the board date for the **second** review	Proposed, in progress
	Take action to level the playing field in the fuel sector by ensuring all importers depositing at SOCASP follow the operating rules established by Decree nº12.019 and Decree nº18.295. In particular, all importers should: i) be registered as CAR taxpayers and establish a local office; ii) adopt the new forward looking pricing mechanism consistent with the Action Plan; iii) get a license to import fuel into CAR; and iv) provide a written commitment to import at least 80 percent of total petroleum products via the river.	Improve transparency and efficiency of the fuel market	Five days before the board date for the **second** review	Proposed, in progress
Improve revenue collection	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)	Met
	Operationalize the cross-verification module of the new DGID IT system and interconnection with the customs computer system (Sydonia World).	Improve transparency and revenue collection	SB **second** review (April 2024)	Met
	Issue a ministerial decree outlining minimal criteria for official taxpayer recognition by the tax office.	Improve revenue collection	SB **third** review (October 2024)	In progress
	From July 25, 2024, issue on the websites of the ministries of Energy or Finance new fuel price structures on the 25th of each month to be applied to the transactions of the following month. The new fuel price structures will be consistent with the fuel action plan, and based on predefined international reference prices, augmented by taxes and quasi-taxes provided by the current regulations, margins, transportation costs, and an import premium. This continuous action should be transparently reflected as amendments to Presidential Decree No. 18.295, which regulates fuel import prices.	Improve transparency and efficiency in the fuel market.	**Continuous structural benchmark** starting July 25, 2024	Proposed
	Adopt a quarterly pump price adjustment mechanism through a ministerial decree signed by the Ministers of Finance and Energy with a corridor that allows pump price to fluctuate in response to international oil price changes.	Improve transparency and efficiency in the fuel market and reduce volatility of fuel revenues.	SB **fourth review** (April 2025)	Proposed
	Consolidate all quasi-taxes into a single quasi-tax within the fuel price equation.	Improve transparency and efficiency in the fuel market.	SB **second** review (April 2024)	Met
	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 transparency and efficiency in the fuel market.	SB **third** review (October 2024)	In progress
Improving transparency and governance	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)	Unmet (implemented with a delay)
	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)	Met
	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)	In progress
	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)	In progress
Public Financial Management	Make effective the systematic use of SIM_Ba software by all staff in charge of the accounting function at the Treasury (Agence Comptable Centrale du Trésor): i) by providing them with the necessary IT equipment; ii) by training them on the technical and regulatory functions involved in this software.	Improve budget management and transparency	SB **third** review (November 2024)	Proposed

Note: Grey highlights present the new Prior Actions 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	**16.4**	**7.5**
Concessional debt, of which 2/	16.4	7.5
Multilateral debt	7.4	2.8
Bilateral debt	9.0	4.8
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	**16.4**	**7.5**
Infrastructure		
Budget financing	16.4	7.5
Memorandum items		
Indicative projections		
Year 2	19.4	6.1
Year 3	38.8	10.2

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	23.4	14.8	8.5	6.1	5.0
Charges and interest	5.5	6.4	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	25.3	24.8	28.7	29.5	28.4
Charges and interest	5.5	6.4	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	14.2	21.1	27.1	30.5	29.4	21.7	20.8	20.4	23.6	24.3	23.4
Charges and interest	3.3	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Outstanding IMF Credit											
SDR Millions	215.6	227.6	241.9	236.8	201.2	174.8	149.5	124.7	96.0	66.6	38.2
CFAF Billions	175.7	186.3	199.2	195.0	165.6	143.9	123.1	102.7	79.1	54.8	31.4
Percent of government revenue	132.5	117.9	110.5	93.6	71.3	55.1	44.1	34.0	24.9	16.3	8.8
Percent of exports of goods and services	74.4	73.6	69.1	61.4	46.2	35.3	26.6	20.9	14.8	9.7	5.6
Percent of debt service	431.3	367.7	331.6	383.6	274.5	315.0	285.5	215.6	156.3	101.7	54.8
Percent of GDP	11.0	10.9	10.8	9.8	7.8	6.3	5.1	3.9	2.9	1.9	1.0
Percent of quota	193.5	204.3	217.1	212.6	180.6	156.9	134.2	112.0	86.2	59.7	34.3
Net use of IMF credit (SDR millions)											
Disbursements	30.5	37.8	47.3	32.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	23.0	32.1	39.4	43.5	42.1	32.8	31.7	31.3	35.1	36.0	34.8
Memorandum items:											
Nominal GDP (billions of CFA francs)	1594.8	1714.5	1842.5	1983.5	2125.0	2268.5	2419.8	2620.0	2771.2	2931.4	3100.9
Exports of goods and services (billions of CFA francs)	236.1	253.2	288.1	317.7	358.7	407.4	463.2	490.6	535.6	564.2	566.0
Government revenue (billions of CFA francs)	132.5	158.0	180.3	208.3	232.2	261.1	279.0	302.2	317.7	336.0	355.4
Debt service (billions of CFA francs)	40.7	50.7	60.1	50.8	60.3	45.7	43.1	47.6	50.6	53.9	57.4
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. The proposed augmentation is included in the existing and prospective credit.

Annex I. Enhanced Safeguards and Capacity to Repay the Fund

1. Capacity to repay the Fund remains weak, and it only becomes adequate after a successful implementation of the reforms outlined under the program. Those reforms are expected to reduce program and financing risks, thereby mitigating the risks to the capacity to repay the Fund, rendering capacity to repay adequate.

- CAR's exposure to multilateral creditors, in particular the IMF and the WB, is exceptionally high. At end-2023, the share of CAR's multilateral debt was 55 percent of its total external public debt, with IMF debt representing 60 percent of total multilateral debt and the World Bank another 26 percent. Pre-HIPC arrears represent 25 percent of the total stock of external debt. CAR's outstanding credit to the IMF and total Fund obligations are significantly higher than the PRGT comparator group for all the key metrics, including on liquidity indicators, due to rising debt service to the Fund over the next four years.

- With the proposed ECF arrangement augmentation, total Fund credit outstanding will increase slightly as a share of external debt to GDP for the duration of the program after which there would be a gradual decline in the medium term. Debt service to the Fund out of total external debt service would slightly increase, as repayments to the Fund are projected to rise over the medium term, peaking in 2026 at around SDR 37 million (about 11 percent of exports of goods and services, and around 18 percent of revenue excluding grants, see Figure 3). These relatively elevated levels of scheduled debt service to the Fund pose risks to capacity to repay over the medium term.

- One of the main objectives of CAR's current Fund-supported program is to reduce debt vulnerabilities. CAR is assessed to be at high risks of debt distress primarily due to its external debt service obligations in the short to medium term, with two of the external debt service indicators and the indicator on overall debt above the respective DSA thresholds in the baseline. Debt vulnerabilities will be reduced in the medium term, as reforms under the program take hold, as indicated by the downward path of all five debt burden indicators over the course of the program, underpinned by fiscal adjustments and limits on non-concessional debt.

2. Downside risks to the capacity to repay the Fund include a slower than expected pace of reforms, natural disasters, a deterioration of security situation, as well as difficulties with domestic revenue mobilization. However, these downside risks are mitigated by the authorities' strong collaboration with the Fund, strong commitment to the program objectives, as well as several other factors outlined in the program request documents.

Annex II. Risk Assessment Matrix[1]

Risks	Relative Likelihood	Time Horizon	Expected Impact If Realized	Policies to Mitigate the Risks
Conjunctural Risks				
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	**High**	**Short Term**	**High** • Supply chain disruptions, including those related to weather shocks, can lead to higher prices for essential imports such as fuel and wheat.	• Application of the pump 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.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.	**High**	**Short Term**	**High** • Higher energy prices would stoke inflation and would also add to fiscal pressures, given the fixed pump prices.	• Application of the pump 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.

[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.

Risks	Relative Likelihood	Time Horizon	Expected Impact If Realized	Policies to Mitigate the Risks
Abrupt global slowdown. Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering 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.
• **China:** Sharper-than-expected contraction in the property sector weighs on private demand, further amplifies local government fiscal strains, and results in disinflationary pressures and adverse macro-financial feedback loops.	Medium			
• **Europe:** Intensifying fallout from Russia's war in Ukraine, supply disruptions, tight financial conditions, and real estate market corrections exacerbate economic downturn.	Medium			
• **U.S.:** Amid tight labor markets, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in more abrupt financial, housing, and commercial real estate market correction.	Medium			
Monetary policy miscalibration. Amid high economic uncertainty, major central banks loosen policy stance prematurely, hindering disinflation, or keep it tight for longer than warranted, causing abrupt adjustments in financial markets and weakening the credibility of central banks.	Medium	Short to Medium Term	Medium	• Fiscal prudency amid active engagement with bondholders to curb borrowing costs and secure longer-term debt maturities.
Systemic financial instability. High interest rates and risk premia and asset repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	Medium		Medium	• Fiscal prudency amid engagement with bondholders to curb borrowing costs and secure longer-term debt maturities. • 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 from high global interest rates, a growth slowdown in AEs, unfunded fiscal spending, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, amplified by sovereign-bank feedback, resulting in capital outflows, rising risk premia, and loss of market access.	Medium		Medium	

Risks	Relative Likelihood	Time Horizon	Expected Impact If Realized	Policies to Mitigate the Risks
Social discontent. High inflation, real income loss, spillovers from conflicts (including migration), worsening inequality, and disputed elections cause social unrest and detrimental populist policies. This exacerbates imbalances, slows growth, and leads to policy uncertainty and market repricing.	**Medium**		**High** • Increased cost of living from increased inflation and supply chain disruption could provide a recipe for increased tension and social unrest. • If the supply chain disruption is related to a weather shock, its impact on living standards will be more severe. Thus, the social unrest could be more severe than otherwise.	• Continued cooperation with international organizations to support social programs. Attention should also be paid to the evolution of social sentiments and provide solutions to ease tensions.
Structural Risks				
Deepening geoeconomic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower 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 and service providers (including digital currency and crypto assets) 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.	**Medium**		**High** • A climate shock can have compounding effects on CAR's social and political stability, reform momentum, and the overall security context.	• 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. A 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, particularly in the runup to the local elections this year. • Renewed weather events would only reinforce the risk of security disruptions.	• 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)			**High** • Delays in revenue and PFM reforms (particularly related to the fuel market) could hinder fiscal consolidation, 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.

Risks	Relative Likelihood	Time Horizon	Expected Impact If Realized	Policies to Mitigate the Risks
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.

Appendix I. Letter of Intent

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

Bangui, June 6, 2024

Madam Managing Director:

1. **The Central African Republic's economy and public finances continue to stabilize despite persistent headwinds**. Domestic revenues are recovering. Budget financing conditions have improved, with the resumption of disbursements from the World Bank and the African Development Bank (AfDB) along with the strong rebound in regional demand for sovereign securities. Short-term domestic-refinancing risks have been addressed through a recent successful syndication. Inflation is moderating. GDP growth is estimated to have slightly accelerated in 2023 but remained modest at 0.7 percent.

2. **We continue to make strides towards the objectives set out in our ECF arrangement program with the IMF**. We have made significant inroads in the modernization of our tax administration, with the ongoing rollout of new IT systems in all three branches of the administration—*ASYCUDA World* at Customs, *eTax* at Domestic taxes, and *Pata polélé* at the Treasury. The interconnection between these systems has started with the recent completion of the domestic tax-customs linkage. We have rolled out a new framework for the management of nontax revenues, which has started to deliver results but needs strengthening. We are bolstering accountability in the management of public finances, with the ongoing review of a new organic law that will release the Court of Audit from the undue influence of the executive by giving it financial and institutional independence. We have recruited a new cohort of judges, currently in training, to address staffing needs at the Court and are working with other donors to provide operational, financial, and material support to it once the new organic law is adopted.

3. **Program performance has been broadly appropriate**. All but one of the quantitative performance criteria were met, in part thanks to the bold contingency measures we implemented in December 2023. Yet, one of the three continuous performance criteria (CPC) was not met, as we ran external arrears last year due to deficiencies in cash and debt management. Further, the indicative targets on social spending and spending through extraordinary procedures were also missed. We will apply the corrective actions suggested by IMF staff and continue to work to make progress under the ECF arrangement to help us achieve our macroeconomic objectives. At the same time, we have also made significant progress in the reforms front, with all structural reforms envisaged for the second review being implemented.

4. Despite these positive developments, the economic and social situation remains precarious, necessitating further efforts and support from the international community. Economic growth is significantly exposed to adverse climate and security developments. Further, around a third of Central Africans are experiencing acute food insecurity. Thus, support from partners is critical to safeguard macroeconomic stability, protect our ability to pay wages, and bolster the provision of goods and services. Thus, we remain committed to taking all the necessary steps to ensure a continuation of disbursements from the World Bank, that have helped finance wages in social sectors, and from the AfDB. Also, we intend to pursue discussions with all our development partners to achieve a full resumption of budgetary support. In this context, we will spare no effort to strengthen our fiscal position, particularly through the application of the action plan for the fuel market that we developed with IMF staff. We will also materially reinforce public financial management and budget transparency.

5. To support our efforts, we request the completion of the second review under the Extended Credit Facility, which will make available an amount equivalent to SDR 18.6 million and the completion of the financing assurances review. We request an augmentation of access for 5.2 percent of quota (SDR 5.8 million). The augmentation will enable us to meet the additional balance of payment needs caused by delayed capital expenditure to accommodate increased obligations to the Fund last year given a tight financing environment. We also request a waiver for non-observance of the continuous performance criterion on non-accumulation of external arrears based on corrective actions including: (i) improve, with the technical assistance from the IMF, the coordination between the Debt Unit and the Treasury Directorate; (ii) operationalizing the systematic use of the SIM_Ba software to improve budget execution (new structural benchmark); (iii) an in-country PFM Resident Advisor to provide us hands-on support; and (iv) resolving legacy external arrears, under the recently approved African Legal Support Facility. Our commitment to program objectives and the adopted action plan for the fuel market will bolster revenue collection and reduce the liquidity pressures that led to the CPC breach.

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. We are convinced that the measures and policies set forth in the MEFP are appropriate for meeting the objectives of the ECF arrangement but stand ready to take any additional measures that might be necessary to achieve these objectives. The government plans to consult with the IMF in advance of any revisions to the policies contained in the MEFP, in accordance with the rules on such consultation. Moreover, we will provide Fund staff with all data and information necessary to assess the policies and measures presented in the Technical Memorandum of Understanding (TMU).

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

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 program supported by the International Monetary Fund's (IMF) Extended Credit Facility (ECF).

A. Background

1. The Central African Republic continues to grapple with multiple crises, compounded by internal and external security, political, economic, and financing risks. Fuel market disruptions intensified during the second half of 2023, despite a downward adjustment in pump prices. In addition, energy supply remains challenging despite ongoing investments. As a result, economic growth and revenue collection have remained subdued, limiting the country's ability to support vital social sectors. Moreover, public debt management has represented a major challenge amid high rollover risks.

2. Still, the government is keeping up with the reform efforts included in the IMF's ECF arrangement. Our efforts have focused on improving domestic revenue collection, the fight against corruption, as well as public finance management and transparency. Strengthening the Court of Audit and the Financial Intelligence Unit (ANIF) are key measures to catalyze donor support and attract investments and thus to support inclusive economic growth.

3. We recognize the need to step-up the provision of public services, particularly those related to social initiatives, across the country. The significant improvement of security in most urban areas has increased demands for social protection and basic infrastructure, including electricity. Despite a narrow fiscal space, efforts are being made to meet those demands while extending security gains. These initiatives are also critical drivers for economic growth and social development.

4. In this difficult macroeconomic context, we need to regain fiscal space to continue performing the vital functions of the State. Capacity building and technical assistance, including through a resident advisor for public financial management, remain crucial (¶39). We are committed to ensuring the utmost transparency in macroeconomic management to reassure development partners. Maintaining collaboration with the international community is essential to support the country's reform and macroeconomic stabilization efforts.

B. Recent Macroeconomic Developments

5. Macroeconomic performance in the second half of 2023 was mixed. Persistent disruptions in fuel and electricity supply have reduced economic growth and government revenue collection derived from hydrocarbon imports. Similarly, this sluggish economy has fostered the emergence of payment arrears in different sectors, further reducing revenues and increasing pressures on government liquidity. We were able to manage these pressures by regaining access to the regional debt market and a gradual resumption of budget support. Economic activity remained subdued in 2023 with real GDP growth of 0.7 percent, largely supported by the agriculture, timber and gold mining sectors. At the same time, inflation eased. IMF staff revised inflation estimates downward from 5.5 percent to 4 percent due to lower fuel prices at the pump.

6. **We exceeded our domestic revenue target, despite fuel market challenges.** Domestic revenues stood at CFAF 132.5 billion at end-December 2023 against a target of CFAF 130 billion under the ECF arrangement. This performance was made possible partly due to collection of previous tax arrears from a commercial bank in late December, which helped offset low revenues from fuel imports, delays in the implementation of new revenue measures such as the new "TIC-TECH" tax on telecommunication services, and shortcomings in applying minimum import prices on cigarettes.

7. **The deficit target was also achieved, thanks to contingency measures taken in December.** The domestic primary deficit at end-December 2023 reached CFAF 58.3 billion against a target of CFAF 64 billion. The target was achieved by activating contingency measures in December, including deferrals in spending on goods and services and in the payment of high public service salaries. These initiatives demonstrate our commitment to the successful implementation of the ECF arrangement. Reaching the deficit target also made it possible to maintain the government's net domestic financing at CFAF 55.8 billion, below the adjusted target of CFAF 62.9 billion.

8. **Our financing capacity in the regional public bonds market needs to be strengthened.** The average subscription rate for medium and long-term government bonds (OTAs) reached 96 percent in the second half of 2023 while the average duration of new issues jumped from 3.3 years in the first half of 2023 to 4.4 years in the second half of 2023, reaching a peak of 6 years in October. However, the subscription rates and maturities of new OTA issues gradually dropped to 23 percent for the 3-year OTA issue of March 18, 2024. These trends reflect a tightening of regional liquidity, as well as a greater caution by primary dealers (SVT) on their exposure to CAR. Subscription rates increased for the syndication executed last April, although we recognize the need to strengthen the fiscal position and maintain constant communication with SVTs. These efforts will be essential to meet the substantial regional debt maturities coming up through 2026.

9. **The external position improved in 2023.** The current account deficit, including grants, fell from 12.7 percent of GDP in 2022 to 9 percent of GDP in 2023, due to an improvement in the trade balance following a reduction in imports (mainly petroleum products) and a slight increase in exports. World Bank (WB) disbursements totaling CFAF 18.1 billion during 2023Q4 further reduced the current account deficit. For 2024, we expect a drop in the current account deficit to about 8.6 percent of GDP, caused by a successive increase in the trade balance and disbursements from the World Bank and the African Development Bank (AfDB).

C. Economic Outlook and Risks

10. The medium-term macroeconomic outlook is contingent on the recovery of CAR's economy. The baseline scenario assumes a sustainable resolution of fuel shortages through the implementation of the action plan developed with IMF staff (¶24), a strengthening of policies in line with program commitments, and an increase in donor support. Real GDP is expected to grow by 1.4 percent in 2024 to then accelerate to 2.9 percent in 2025 and to 3.7 percent by 2027, if stronger governance and a more attractive business environment entice donor support and private investment. Inflation is expected to gradually decrease towards the CEMAC's 3 percent convergence criterion. Moreover, if medium-term fiscal targets are met, domestic primary deficit could shrink from 3.7 percent of GDP last year to less than 2 percent in 2026. At the same time, the current account deficit (including grants) would shrink from 9 percent of GDP to 5.2 percent of GDP over the same period.

11. This outlook is subject to significant downside risks. These risks include a deterioration in security, a resumption of fuel shortages, difficulties in refinancing domestic debt, and expenditure overruns in the runup of the 2025 presidential elections. Conversely, a more favorable economic dynamic could result from faster implementation of structural reforms, return to peace throughout the country, and more significant gains in our efforts to mobilize domestic revenue and control public spending.

D. Economic and Financial Program Targets and Policies

Short- and Medium-Term Fiscal Policy

2024 Fiscal policy

12. For 2024, the Central African Government is committed to restoring the trajectory of public spending, while protecting the poorest. The 2024 Budget projects a domestic primary fiscal deficit of CFAF 47.5 billion, below the CFAF 58.3 billion deficit observed in 2023 mainly driven by an increase in domestic revenues, particularly those related to the fuel market. After significant spending overruns during the first quarter of this year, we acknowledge the need to adjust spending, through a revised budget in 2024Q3, to achieve program targets. Spending measures could derive in the delay of non-priority domestically-financed infrastructure projects, and the streamline of spending on goods and services and non-essential transfers. At the same time, we remain committed to prioritizing social spending to strengthen the vital functions of the government, including security. With this in mind, we are open to the Fund's technical assistance to improve execution of social spending (see ¶33 for more details).

13. We are committed to implementing the revenue measures agreed with IMF staff under the 2024 Budget. Such measures include levying duties and taxes on fuel imports made through informal channels. Additionally, we will continue to focus on collecting taxes arrears and improving implementation of measures introduced in 2023, including taxes on telecommunications services and cigarette imports, as well as the 10 percent penalty on importers not registered with the internal tax administration. We also aim to accelerate the recovery of past-due taxes. These initiatives will help generate the CFAF 160.5 billion in domestic revenue budgeted for this year, or CFAF 28 billion more than in 2024 (1.1 percent of GDP). Reaching this target will depend first and foremost on supplying stable and sufficient petroleum products to the country. See more details in Section C of this Memorandum on structural reforms.

14. The financing plan will be consistent with the envisaged deficit in the 2024 Budget. While implementing a prudent fiscal policy, we are still confident that the regional public bonds market in the medium and long term will be able to provide the same amount of gross medium and long-term domestic financing received in 2023 (CFAF 105 billion). However, we recognize that securing this funding will depend on an ambitious and coherent strategy to refinance the substantial regional maturities expected through 2026.

Medium-term Fiscal Policy

15. Medium-term fiscal policy will be guided by domestic revenue collection and public debt sustainability targets. Our medium-term strategy will be anchored on significantly increasing our capacity to collect domestic resources, by roughly 0.75 percent of GDP annually until 2026, including through an in-depth reform of our internal tax (DGID) and customs administrations (DGDDI). Combined with better prioritization of public spending, this would lead to a reduction in budget financing risks, bringing domestic primary fiscal deficit below 2 percent of GDP and outstanding public debt stock to about 50 percent of GDP by 2026. Similarly, we will continue the dialogue with our donors to ensure that budget support is fully disbursed. Budget support remains crucial to mitigate government liquidity risks and, thus, preserve public debt sustainability. Accordingly, we will spare no effort to strengthen fiscal transparency to reassure donors.

Public Debt Management Policy

16. We recognize the urgent need to adopt a government securities repayment strategy. Following the successful syndication for CFAF 50 billion conducted last April, we refinanced most of the maturing amounts scheduled for this year. Yet, we acknowledge that maturities will remain substantial through 2026. We aim to refinance these maturities through OTAs with maturities of at least 4 years. We will also explore voluntary liability management operations to optimize the repayment profile.

17. We note the urgent need to strengthen debt management to ensure timely accounting of external and domestic borrowing and prevent arrears. We are aware that these priorities are critical for proper execution of the ECF arrangement, budget support disbursements and thereby protecting public debt sustainability.

18. Important actions are therefore being taken to strengthen public debt management. In December 2023, we adopted the public debt coordination and management framework, in line with IMF recommendations (**structural benchmark**). This framework will allow us to better plan public debt issuing operations, better manage debt servicing, as well as improve the total sovereign debt profile. In particular, this approach will also help us ensure proper external debt accounting and prevent arrears accumulating. Further, and with the Fund's technical staff support, we intend to implement a medium-term debt strategy (MTDS).

19. We are actively working to improve debt data transmission quality and clear external arrears with support from partners. Debt management capacity constraints led to an unintentional delay in the transmission to the IMF of external arrears data for the first review, amounting to CFAF 1.072 billion. In addition, we ran external arrears during the second half of 2023 for about CFAF 1.8 billion due to liquidity constraints. In order to prevent further emergence of external arrears, we look forward to receiving a joint MCM/FAD mission to improve the coordination between the Debt Unit and the Treasury Directorate. We also aim to operationalize the SIM_Ba software at the Treasury directorate (ACCT) for all staff that part of the accounting function by November 2024 to help improve commitment controls (***new structural benchmark***). Further, we are discussing with the World Bank to finance the re-activation of a debt management software. Finally, we commit to thoroughly apply the action plan for the fuel market (¶24), which will support revenue collection and reduce the liquidity tensions that led to the accumulation of external arrears.

20. Efforts are being made to adopt preventive management of domestic arrears to reduce fiscal risks and limit 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 a 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 selecting the beneficiaries; and (iii) improving the treasury plan and its synchronization with the consolidated accounts, the commitment plan and the public securities issuing plan.

21. Controlling domestic debt owed to public enterprises and establishments is one of our important economic policy goals. As a follow-up to the audit of the arrears of three public enterprises (ENERCA, SODECA and SOCATEL), we drew up a plan to clear those arrears, including pre-2019. We cleared the debt with ENERCA in December 2023. We undertake to ensure that any new debt owed to State-owned enterprises will be duly recorded. In addition, we commit to updating the arrear payment plans. We will also ensure strict enforcement 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.

22. Given the high risk of debt distress, we will continue to favor 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 still intend to hold an investment conference with Arab and Islamic funds and donors to raise concessional financing, while minding the limits incorporated in the ECF arrangement. These resources will be devoted to financing a pipeline of infrastructure projects that would cater to agriculture, energy, water, transportation, and social sectors. To prevent further increase of already high debt service to exports and revenue ratios projected for the medium-term, these loans are expected to have long grace periods and/or repayment schedules. We will consult with IMF staff as soon as new funding opportunities arise.

Structural Reforms

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

Improving and Securing Domestic Revenue

23. We intend to continue our reform efforts to strengthen fiscal discipline, improve our capacity to collect tax revenue, and streamline spending. These reforms include:

- *Transfer of the fees and charges collected by the ministries (menues recettes) to the Treasury Single Account* ***(structural benchmark)***. To do this, in 2023 we signed orders to establish revenue collection offices in different ministries, as well as the transfer of such revenues to the Treasury Single Account (TSA). The orders involve a dozen ministries including that of Territorial Administration, Communication and Media, and Mines and Geology. We achieved this structural benchmark by implementing these orders. Thus, the collection and full transfer of *menues recettes* into the Treasury Single Account (TSA) are now effective. In 2023, the mobilization of these revenues reached CFAF 2.7 billion out of a forecast of CFAF 3 billion, with significant contributions from the Treasury, and the Ministries of Mines and Geology, Trade, Public Security and Justice. For 2024, these revenues are expected to reach CFAF 6 billion. To reach that goal, we have appointed new revenue collection officers in various ministries to ensure better monitoring of revenue collection. We also commit to improving inter-ministerial cooperation to harmonize collection procedures and ensure systematic retrocession of collected revenue. Furthermore, special effort is made on communication with the general public and further digitization of collection procedures, particularly finalizing the USSD protocol usage agreements for mobile payment of some *menues recettes*. We have already conducted pilot trials with European Union (EU) support to digitize the collection of these revenues in the Ministries of Justice and Security.

- *Improved collection of tax and customs arrears.* These efforts focus on: (i) implementing the ministerial decree ordering the systematic use of the electronic declaration system for all large companies; (ii) collecting sums due by all importers and beneficiaries of public contracts that are not up to date with their tax obligations, and (iii) reclassifying companies hitherto considered as medium and small, as large companies after the joint mission between the Internal Tax and Customs Administrations as well as the Commerce Department in the city of Bangui.

- *Securing customs revenues by optimizing procedures and accelerating digitization remains a government priority.* We are prioritizing the procedural optimization and digitalization with the deployment of ASYCUDA World in all operational customs clearance offices, notably in Bangui and along the Douala/Kribi- Bangui corridor, including the PK 26 offices (Terminal 1 and Terminal 2), the Airport Receipts Office, the Postal Control Receipts Office, the Commitments and Hydrocarbons Department, the Beloko Receipts Office, and the Central African Transit Office in Douala (Cameroon). A medium-term plan is in place to computerize all these offices, for which a training program in the use of ASYCUDA World will be launched for customs officers and economic operators by the end of the first half of 2024. At the same time, customs offices in pacified areas, such as Bria, Bambari, Bossangoa and Bangassou, will be redeploying customs services without initial digitization, with a view to their future computerization and interconnection to ASYCUDA World. The forthcoming operationalization of a scanner at the dry port, the implementation of transit interconnectivity in line with CEMAC standards, and the optimization of transit, goods control and customs clearance procedures through tools such as Webb Fontaine should further enhance customs' operational efficiency. AFRITAC Centre's commitment to supporting these reforms bears witness to our determination to improve the surveillance and fluidity of the corridors, while strengthening the regulation and capacities of our customs administration.

- *Streamlining tax exemptions with assistance from technical and financial partners (TFPs), including the IMF, WB and AfDB.* As part of the 2024 Budget, we have implemented measures to streamline exemptions on flour, rice and cooking oil, including products originating from CEMAC countries (Section 15 of the 2024 Finance Bill). Other measures to contain exemptions are also in force (Section 16 of the 2024 Finance Bill). Implementation of these measures is expected to mobilize CFAF 1.1 billion in additional revenue in 2024. These initiatives are a continuation of the studies initiated on tax expenditures, which will allow the development of a work plan for a more effective management of tax exemptions. That plan is expected to examine the relevance of exemptions to the country's economic and social priorities and their compliance with the current legal framework, while aiming to improve transparency in granting the exemptions. We undertake to publish no later than October 2024, the list of beneficiaries of the exemptions and their legal basis.

- *With EU support, the gradual rollout of the new IT system (eTax) within DGID continues, enabling remote declaration and payment, as well as online registration of taxpayers.* This new tool, significantly extends the scope of access to tax information. Large companies as well as some non-governmental organizations (NGOs) are now using the remote declaration system, and its use will gradually be extended to medium-sized companies. However, there are persistent technical issues relating to internet connectivity and companies' ownership of the new tool, requiring investments and a communication effort with the private sector.

- *Finalizing the "cross-check" module which enables automatic cross-referencing of tax information between the DGID and Customs should allow better fraud detection (**structural benchmark**).* This module was delivered on 22 April 2024, under EU supervision. It allows the cross-checking of information with other sources, such as the customs database, the Public Treasury, and eventually commercial banks. Further, work continues on the implementation of a VAT electronic invoicing system.

- *Implementation of the provisions of article 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, has been strengthened.* To optimize the application of the penalty, the DGID will maintain and share with the DGDDI, monthly, the list of the known active importers on which the penalty should not be applied. At the same time, the preparation of the draft order defining the minimum criteria for a taxpayer to be considered active and recognized by the tax authorities is underway, with IMF technical assistance **(structural benchmark)**. Once published, the order will exempt the taxpayers concerned from paying this penalty, thereby helping to prevent any attempt to circumvent this measure.

- *The management of revenues from forestry has intensified.* We have developed semi-industrial permits for medium-sized operators and established a committee responsible for the taxation of artisanal forestry exploitation. Cooperation between Customs services and the Ministry of Water Resources and Forestry will also be strengthened to ensure increased vigilance and better coordination in monitoring and regulating the sector.

Reforming the Fuel Market

24. The government commits to thoroughly implement the action plan for the fuel market to sustainably improve supply while ensuring adequate revenue collection. To achieve this, several measures are expected to be implemented:

- **Improving pricing structure transparency.** We will impose the online publication on the websites of the ministry of Finance of fuel price structures by marketer and import route and introduce a new price structure for unlicensed fuel imports. Additionally, we will modify the tax and quasi-tax components of the pricing structure to comply with the fuel action plan. Furthermore, we will set the 10th of each month until July 24, 2024, as the deadline for the publication of pricing structures applicable to the previous month's transactions. If this deadline is not met, the pricing structures from the previous month will be automatically applied. These changes will be transparently reflected as amendments to the Presidential Decree No. 18.295, which regulates fuel import prices (**prior action**).

- **We will introduce forward-looking pricing structures for fuels**. From July 25, 2024, new fuel price structures will be issued on the websites of the Ministries of Energy or Finance on the 25th of each month, to be applied to transactions of the following month. These structures will be consistent with the fuel action plan and based on predefined international reference prices. They will include taxes, quasi-taxes as per current regulations, capped margins, transportation costs, and an import premium. This continuous action will be transparently reflected as amendments to Presidential Decree No. 18.295, which regulated fuel import prices (**continuous structural benchmark**). We will also adopt a pump price adjustment mechanism with a corridor that allows pump price to fluctuate in response to international oil price volatility and mitigate its impact on the sustainability and predictability of fiscal revenues. This mechanism will be specified in a ministerial decree signed by the Ministers of Finance and Energy **(structural benchmark)**. We undertake to carry out transparent communication on price adjustment mechanisms, to anchor private sector expectations. In July 2024, pump prices will be reviewed to reflect international market conditions.

- **Leveling the playing field in the fuel market.** We will take action to ensure that all importers depositing at SOCASP adhere strictly to the operating rules established by Decrees No. 12.019 and No. 18.295. Specifically, this will include requiring all importers to register as taxpayers in the Central African Republic, establish a local office, and secure a license to import fuel solely in CAR. Additionally, all importers will adopt the new forward-looking pricing mechanism consistent with the Action Plan and provide a written commitment to import at least 80 percent of total petroleum products via the river (**prior action**).

25. We remain committed to initiating an external audit of the fuel procurement costs and margin components (structural benchmark). This audit aims to ensure greater transparency and better understanding of the fuel pricing structure, thus identifying possible inefficiencies or irregularities. The outcome of this audit will contribute to establishing fairer and more equitable pricing mechanisms and will serve as basis for the pricing structures that will be effective by fourth quarter of 2024.

26. We will ensure that the functioning of the fuel market is strengthened by adopting a suitable regulatory framework for fuel supply and distribution. To ensure that the actions undertaken are effective and relevant, and given the complex and sensitive nature of the reforms as well as the narrow fiscal margins, the expertise and support of development partners will be required to support these initiatives. Similarly, in a bid to alleviate the financial burdens associated with fuel imports, high-level negotiations will be conducted with key stakeholders of the market to ensure a transparent and fair service pricing.

Strengthening Public Finance Management and Governance

27. As part of discussions with donors on budget support, we undertake to significantly enhance fiscal transparency:

- The government will continue to hold regular monthly meetings on cash flow management, with the participation of technical and financial partners.

- We undertake to implement the recommendations from the PEFA (Public Expenditure and Financial Accountability) assessment for 2019-2021 to strengthen budget planning, commitment controls, and cash management. The draft report was sent to the designated revisors, including the World Bank, the European Union, the African Development Bank and the Economic and Social Council. Once finalized, the final report was shared with all our technical and financial partners. We now undertake to implement the report's recommendations to strengthen accountability and transparency in public spending.

- In order to maintain transparency in the management of disbursements from our development partners and their proper use, we commit to continue using the escrow account opened at

BEAC. This account will host IMF disbursements, net of repayments, intended to supplement the World Bank's operation to finance some fiscal expenditures in key sectors of public service delivery.

- We have prepared and published online the quarterly budget execution tables at end December 2023. These documents were prepared according to the format recommended by IMF staff, facilitating a more detailed and consistent analysis of the fiscal situation. We reaffirm our commitment to publish these tables, within 45 days after the end of each quarter.

28. Discussions are ongoing to finalize the draft agreement between BEAC and the Treasury for the management of the Treasury Single Account (TSA). The signing of this agreement will materialize as soon as possible. The reform is part of the ongoing effort to centralize and trace fiscal revenues.

29. We have made significant progress in promoting good governance and fighting corruption:

- The structural benchmarks involving the Court of Audit and the Financial Intelligence Unit (ANIF) have been met. With EU support, the draft review of the organic law on the Court of Audit was submitted to the Council of Ministers and prepared in accordance with the country's legislation and international best practices. In addition, a detailed institutional plan to strengthen ANIF's operational work was adopted by order of the Minister of Finance and Budget.

- In May 2023, we adopted a new law to prevent and punish corruption and related offences, in line with IMF staff recommendations and the requirements of the United Nations Convention against Corruption. We are committed to implementing the new provisions of this law, including those relating to asset declarations, and will seek technical assistance from IMF staff in this regard (**structural benchmark**).

- Government will continue to carry out all necessary actions to reassure our financial partners on the transparent use of resources.

- We reaffirm our commitment to enhancing transparency in public procurement. Following a temporary interruption, we will resume the publication of detailed information on all public contracts concluded above the CFAF 10 million threshold. We also undertake to integrate beneficiaries' Tax Identification Numbers (NIF) into public contract award notices. All such information will continue to be made available in accordance with current dispositions.

- We commit to strengthening compliance with the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) standards of the Task Force against Money Laundering in Central Africa (GABAC). The mutual evaluation report published in November 2023 revealed high risks of money laundering and terrorist financing in CAR. Given the capacity constraints identified in the report, discussions will be carried out with development partners to draw a roadmap to improve overall compliance with AML/CFT standards.

30. Control of risks relating to the Tokenization Law

- Following the 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 the law's compliance with CEMAC community provisions, including Articles 8 and 18. BEAC's response is still awaited, and we intend to follow with BEAC again to obtain this opinion as soon as possible. We remain committed to ensuring that crypto assets, including those covered under this law, do not have legal tender status or guaranteed convertibility.

- We are making progress in assessing the potential fiscal risks relating to the activities of the tokenization platform (**structural benchmark**) and stand ready to take further actions to mitigate other potential risks. We commit to communicating on existing fiscal commitments and analyze how public finances and public debt sustainability might be affected. The analysis is ongoing, carried out according to a methodology developed with the technical assistance of IMF staff. The outcomes of this assessment, including recommendations on the legal measures to be adopted to mitigate identified risks, are expected by the third quarter of 2024. We also undertake to implement an action plan derived from this fiscal risk analysis, which will include operational and legal reforms in the short, medium, and long term. The tokenization law will be reviewed if necessary to mitigate the fiscal and other identified risks. We also plan to disseminate the outcomes of this analysis to Parliament and the general public.

31. CAR's banking system continues to prove stable, despite some challenges in terms of asset quality and prudential compliance. At end December 2023, the capital adequacy ratio stood at 18.9 percent, and the short-term liquidity ratio reached 146.1 percent. Loans to the private sector increased by 4.8 percent compared with the previous year, reaching CFAF 186 billion. However, the ratio of non-performing loans remained elevated at 16.2 percent at end December 2023 compared with 14.5 percent a year earlier. Significant gaps in terms of liquidity and concentration of NPLs among financial institutions call for increased vigilance.

32. Efforts to improve the business climate in the Central African Republic continue on several fronts:

- The new mining code was approved during the first half of 2024. With the support of the World Bank, we are committed to implementing the new mining code through the submission of 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 also making progress in implementing the recommendations of the National Economic and Financial Committee (CNEF). The texts relating to financial mediation were validated by COBAC in May 2023, and the costs associated with this mechanism are currently being estimated with a view to its financing by the government, banks and microfinance institutions. Through the CNEF, we have also adopted the articles of association of the company in charge of collecting non-performing bank loans, whose first constitutive General Meeting will be convened no later than end-December 2024.

33. We will prioritize social spending, notwithstanding the anticipated fiscal consolidation. Social expenditure executed with our own resources reached CFAF 10.4 billion in 2023, below the indicative target of CFAF 22 billion set by the ECF arrangement. Consistent with program requirements, we intend to make more efforts in favor of social spending. In addition to improving fiscal space by implementing revenue measures, the following measures will be implemented: (i) making effective the systematic use of SIM_Ba by all staff at Treasury with an accounting function by November 2024 (*new SB for third the review*), (ii) improving the coverage of the Integrated Social Register to boost targeted transfers for the benefit of the most vulnerable households, (iii) accelerating social sectors expenditure authorizations, and (iv) reducing administrative delays and bottlenecks in the execution of social projects. These measures along with the increased budgetary allocation of social spending will help bring the social spending IT back on track. In addition, we will study the feasibility of extending the program's indicative target to the main social projects financed by donors to better reflect the reality of social spending in the country.

34. The government of the Central African Republic is firmly committed to formulating the National Development Plan (PND-RCA) for 2024-2028, focusing on resilience and adaptation to climate change. A first draft was circulated to development partners in May 2024. The plan's development process follows five strategic phases: preparation, diagnosis, definition of objectives and strategic axes, assessment of costs and financing, and finally, drafting and dissemination. Currently in phase four, a first draft is being refined. The main thrusts of the NDP include strengthening security, developing human capital, building sustainable infrastructure, stimulating economic growth by enhancing value chains, and improving environmental sustainability. Faced with climate risks such as global warming, pollution and natural disasters, the government plans to step up reforms to protect the environment and promote governance of natural resources. The priorities of these reforms include mobilizing around the Agenda 2030 for Sustainable Development, strengthening contributions to international initiatives, improving environmental governance, and developing new tools for the sustainable management of natural resources.

35. The government remains committed to working with its technical and financial partners to make environmental reforms sustainable. We are working with the World Bank on the Country Climate and Development Report (CCDR), which is a springboard for refining our climate reform priorities. Moreover, we intend to request a technical assistance mission from the IMF's Fiscal Affairs Department to conduct a Climate Change Public Investment Management Assessment (C-PIMA). These two tools, the CCDR and the C-PIMA, would ultimately allow us to consider a request under the Resilience and Sustainability Facility (RSF) to further support our efforts to tackle climate change.

36. The government has launched key initiatives to strengthen natural resource management and climate financing. With support from the World Bank, we have initiated a study on Natural Capital Accounting and Climate Finance (NCA) in the Congo Basin forests, aimed at assessing the value of forest resources and their impact on domestic revenues. At the same time, the government is seeking assistance to carry out the Climate Change Public Investment Management

Assessment (C-PIMA) (¶35), develop a National Carbon Market, and strengthen its capacity to mobilize funds via international financial mechanisms. These initiatives will support discussions with the IMF on the Resilience and Sustainability Facility, reinforcing CAR's commitments to the United Nations Framework Convention on Climate Change (UNFCCC).

37. With the support of development partners, the government has initiated a series of measures to improve governance and statistical production:

- **Revision of the HICP methodology:** With the support of the World Bank, we have extended the geographical scope of the Harmonized Index of Consumer Prices (HICP) from one to six regions, increasing the number of products monitored to 700 and carrying out 13,000 monthly surveys across the country, enabling a more accurate assessment of inflation.

- **Activation of the HISWACA project:** The Harmonizing and Improving Statistics in West and Central Africa (HISWACA) project, financed by the World Bank to the tune of 12 billion FCFA for CAR, has been in force since January 11, 2024. It supports statistical capacity building in several key areas, such as population census, agricultural and educational data collection, and institutional capacity building, with a budget of 3 billion FCFA already disbursed.

- **Funding and structural improvement of ICASEES:** The government has allocated CFAF 300 million in its 2024 Budget to support ICASEES in conducting the general population census. Yet, a residual funding requirement of CFAF 3 billion remains, prompting active efforts to secure additional financial support from development partners. Concurrently, structural improvements have been made to ICASEES, with the new statutes providing for the creation of 20 prefectural services to enhance data collection and analysis across the country, thereby ensuring more comprehensive and accurate statistical coverage.

- **Commitment to data dissemination:** The government is committed to enhance data transparency in collaboration with the IMF. In response to our request, the IMF's Statistics Department (STA) will support us in adhering fully to the Enhanced General Data Dissemination Standards (e-GDDS). This will be achieved by launching the National Summary Data Page (NSDP), a data portal for publishing data categories compiled by various data-providing agencies. To ensure effective collaboration, two focal points of the ICASEES were appointed in April 2024 to work closely with the IMF.

E. Capacity Building

38. Technical assistance and training provided by the IMF and other partners will be essential to strengthen our institutional capacity and ensure success in implementing the ECF arrangement. We are benefiting from ongoing technical assistance from the IMF, World Bank Group, European Union, AfDB and other development partners in the following areas: (i) improving revenue administration; (ii) strengthening public financial management, fiscal governance and anti-corruption mechanisms; (iii) designing macroeconomic programming and debt management; (iv) improving the quality of economic and financial statistics; (v) external sector statistics; (vi) fuel supply management and legal risks; (vii) debt management; and (vii) public procurement contracts.

39. Request for a Resident advisor for public finance management. We ask for a Resident Advisor in Public Finance Management to monitor the progress of reforms and provide rapid, practical support, in line with the Fund's strategy for fragile and conflict-affected states, subject to funding being found. The assistance provided by AFRITAC Centre will continue to be welcomed as complementary to the Resident Advisor.

F. Program monitoring

40. The program will be monitored using quantitative performance criteria, indicative targets and structural benchmarks as stipulated in the Technical Memorandum of Understanding. Quantitative performance criteria have been set for end June 2024 (third review), end December 2024 (fourth review), and end June 2025 (fifth review). Indicative targets have been set for end March 2024, end September 2024, and end March 2025 (Table 1). Structural benchmarks have been set until October 2024 (Table 2). The fourth and fifth reviews of the ECF-supported program will take place on or after April 30, 2025 and October 30, 2025, 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 that the Fund deems necessary or that IMF staff may request for monitoring purposes.

Table 1a. Central African Republic: Proposed Quantitative Performance Criteria and Indicative Targets, 2023-25

(CFAF Billion; Cumulative from Beginning of the Year, Unless Otherwise Specified)

	End-June 2023				End-September 2023				End-December 2023				End-March 2024	End-June 2024		End-September 2024		End-December 2024		End-March 2025	End-June 2025
	PC	Adjusted Target[7]	Actual	Status	IT	Adjusted Target[7]	Actual	Status	PC	Adjusted Target[8]	Actual	Status	IT	PC (Current)	PC (Proposed)	IT (Current)	IT (Proposed)	PC (Current)	PC (Proposed)	IT (Proposed)	PC (Proposed)
Quantitative performance criteria																					
Net domestic financing of the government (ceiling, cumulative flows for the year)	11.0	29.0	37.2	Not met	28.0	46.0	62.5	Not met	57.0	62.9	55.8	Met	18.0	30.0	30.0	40.0	40.0	55.0	55.0	15.0	17.0
Domestic government revenue (floor, cumulative for the year)[1]	62.0	--	67.4	Met	96.0	--	96.8	Met	130.0	--	132.5	Met	34.0	75.0	75.0	115.0	115.0	155.0	155.0	39.0	80.0
Domestic primary fiscal balance (floor, cumulative for the year)[2]	-24.0	--	-26.5	Not met	-35.0	--	-51.5	Not met	-64.0	--	-58.3	Met	-13.0	-22.0	-22.0	-33.0	-33.0	-50.0	-50.0	-10.0	-17.0
Continuous performance criteria																					
New external nonconcessional debt contracted or guaranteed by the Government (ceiling, cumulative)[3,4]	0.0	--	0.0	Met	0.0	--	0.0	Met	0.0	--	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disbursement of external nonconcessional debt (ceiling, cumulative)[3,4]	0.0	--	0.0	Met	0.0	--	0.0	Met	0.0	--	0.0	Met	0.0	0.0	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)[3,4]	0.0	--	1.1[5]	Not Met	0.0	--	1.8	Not Met	0.0	--	2.9	Not Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets																					
Social spending (floor, cumulative for the year)[6]	8.0	--	4.5	Not met	17.0	--	8.1	Not Met	22.0	--	10.4	Not Met	4.0	8.0	8.0	17.0	17.0	22.0	22.0	4.0	8.0
Spending using extraordinary procedures (ceiling, cumulative for the year)	2.5	--	13.2[5]	Not met	4.0	--	19.1	Not Met	5.0	--	23.6	Not Met	2.0	5.0	5.0	7.0	7.0	8.0	8.0	2.0	5.0
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	--	0.0	Met	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Memorandum items:																					
Budget support	18.0	--	0.0		18.0	--	0.0		24.0	--	18.1		0.0	6.3	6.0	11.1	12.3	17.1	23.4	0.0	15.0
Privatization receipts	0.0	--	1.9		0.0	--	1.9		1.9	--	1.9		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: CAR 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. For 2023, the measuring now starts on May 1st to be consistent with program approval instead of January 1st as in prior publications. From 2024 onwards, measuring will start on January 1.

[4] Contracted or guaranteed by the government.

[5] Updated to reflect revised data.

[6] 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.

[7] The ceilings on net domestic government financing as of end-June 2023 and end-September 2023 were adjusted-up to reflect the delay of the disbursement from the World Bank.

[8] The ceiling on net domestic government financing as of end-December 2023 was adjusted-up to reflect the delay of the disbursement from the African Development Bank.

Table 1b. Central African Republic: Standard Continuous Performance Criteria Under the ECF Arrangement

- Not to impose or intensify restrictions on the making of payments and transfers for current international transactions,
- Not to introduce or modify multiple currency practices,
- Not to conclude bilateral payment agreements which are inconsistent with Article VIII, and
- Not to impose or intensify import restrictions for balance of payment reasons.

Table 2. Central African Republic: Prior Actions and Structural Benchmarks

Program Objectives	Structural Benchmarks	Macroeconomic Rationale	Timeline	Status
Prior action	Ensure i) the publication on the websites of the ministries of Energy or Finance of fuel price structures by marketer and import route; ii) the introduction of a new price structure for unlicensed fuel imports; iii) the modification of the tax and quasi-tax components consistent with the fuel action plan. Until July 24, 2024, the 10th of each month will serve as the deadline for publishing online the fuel price structures applicable to the previous month's transactions. If this deadline is not met, the fuel price structures from the previous month will be automatically applied. These changes should be transparently reflected as amendments to the Presidential Decree n°18.295 that regulates fuel import prices.	Enhance the transparency of the current price structures	Five days before the board date for the **second** review	Proposed, in progress
	Take action to level the playing field in the fuel sector by ensuring all importers depositing at SOCASP follow the operating rules established by Decree n°12.019 and Decree n°18.295. In particular, all importers should: i) be registered as CAR taxpayers and establish a local office; ii) adopt the new forward looking pricing mechanism consistent with the Action Plan; iii) get a license to import fuel into CAR; and iv) provide a written commitment to import at least 80 percent of total petroleum products via the river.	Improve transparency and efficiency of the fuel market	Five days before the board date for the **second** review	Proposed, in progress
Improve revenue collection	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)	Met
	Operationalize the cross-verification module of the new DGID IT system and interconnection with the customs computer system (Sydonia World).	Improve transparency and revenue collection	SB **second** review (April 2024)	Met
	Issue a ministerial decree outlining minimal criteria for official taxpayer recognition by the tax office.	Improve revenue collection	SB **third** review (October 2024)	In progress
	From July 25, 2024, issue on the websites of the ministries of Energy or Finance new fuel price structures on the 25th of each month to be applied to the transactions of the following month. The new fuel price structures will be consistent with the fuel action plan, and based on predefined international reference prices, augmented by taxes and quasi-taxes provided by the current regulations, margins, transportation costs, and an import premium. This continuous action should be transparently reflected as amendments to Presidential Decree No. 18.295, which regulates fuel import prices.	Improve transparency and efficiency in the fuel market.	**Continuous structural benchmark** starting July 25, 2024	Proposed
	Adopt a quarterly pump price adjustment mechanism through a ministerial decree signed by the Ministers of Finance and Energy with a corridor that allows pump price to fluctuate in response to international oil price changes.	Improve transparency and efficiency in the fuel market and reduce volatility of fuel revenues.	SB **fourth review** (April 2025)	Proposed
	Consolidate all quasi-taxes into a single quasi-tax within the fuel price equation.	Improve transparency and efficiency in the fuel market.	SB **second** review (April 2024)	Met
	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 transparency and efficiency in the fuel market.	SB **third** review (October 2024)	In progress
Improving transparency and governance	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)	Unmet (implemented with a delay)
	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)	Met
	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)	In progress
	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)	In progress
Public Financial Management	Make effective the systematic use of SIM_Ba software by all staff in charge of the accounting function at the Treasury (Agence Comptable Centrale du Trésor): i) by providing them with the necessary IT equipment; ii) by training them on the technical and regulatory functions involved in this software.	Improve budget management and transparency	SB **third** review (November 2024)	Proposed

Note: New structural benchmarks and prior actions inscribed on a grey background

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 lease

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

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 May 1, 2023.

- 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 two measures that must be implemented at least five days before the IMF board date for the second review are:

- Ensure i) the publication on the websites of the ministries of Energy or Finance of fuel price structures by marketer and import route; ii) the introduction of a new price structure for unlicensed fuel imports; iii) the modification of the tax and quasi-tax components consistent with the fuel action plan. Until July 24, 2024, the 10th of each month will serve as the deadline for publishing online the fuel price structures applicable to the previous month's transactions. If this deadline is not met, the fuel price structures from the previous month will be automatically applied. These changes should be transparently reflected as amendments to the Presidential Decree n°18.295 that regulates fuel import prices.

- Take action to level the playing field in the fuel sector by ensuring all importers depositing at SOCASP follow the operating rules established by Decree n°12.019 and Decree n°18.295. In particular, all importers should i) be registered as CAR taxpayers and establish a local office, ii) adopt the new forward looking pricing mechanism consistent with the Action Plan, iii) get a license to import fuel solely in CAR iv) provide a written commitment to import at least 80 percent of total petroleum products via the river.

Continuous Structural Benchmarks

15. From July 25, 2024, issue on the websites of the ministries of Energy or Finance new fuel price structures on the 25th of each month to be applied to the transactions of the following month. The new fuel price structures will be consistent with the fuel action plan, and based on predefined international reference prices, augmented by taxes and quasi-taxes provided by the current regulations, margins, transportation costs, and an import premium. This continuous action should be transparently reflected as amendments to Presidential Decree No. 18.295, which regulates fuel import prices.

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 (ASYCUDA World).

- Adopt the anti-corruption law submitted to parliament on February 4, 2022

- 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.

- Make effective the systematic use of SIM_Ba software by all staff in charge of the accounting function at the Treasury (Agence Comptable Centrale du Trésor): i) by providing them with the necessary IT equipment; ii) by training them on the technical and regulatory functions involved in this software.

Fourth review (April 2025)

- Adopt a quarterly pump price adjustment mechanism through a ministerial decree signed by the Ministers of Finance and Energy with a corridor that allows pump price to fluctuate in response to international oil price changes.

E. Reporting of Data to the IMF

16. 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 ECF Arrangement

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

SECOND REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR A WAIVER OF NONOBSERVANCE OF CONTINUOUS PERFORMANCE CRITERION, AUGMENTATION OF ACCESS, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

June 10, 2024

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 are substantial liquidity risks, as shown by relevant debt indicators, stemming from possible shortfalls in donor support and substantial rollover risks on regional debt. The approval of the ECF-supported program in April 2023 helped catalyze disbursements from the African Development Bank (AfDB), while the World Bank provided disbursements for targeted recurrent spending costs. However, a full resumption of financing from traditional donors remains distant amidst geopolitical tensions and governance shortfalls. Compared to the previous DSA,[1] domestic debt has increased due to ramped-up borrowing in the CEMAC regional debt market and the addition of two previously non-included loans from regional banks. As a result, the present value of total debt-to-GDP breaches the threshold not only in 2024, but now also in 2025 and 2026. 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 4 years starting in 2024, largely on 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, as well as on their efforts to lengthen the profile of domestic debt. Significant downside risks, including

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

uncertainty regarding macro-fiscal projections, the full resumption of donor support and the recovery of the fuel market, might affect the overall sustainability analysis. [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. 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 a 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-guaranteed SOE debt and arrears, potential additional domestic arrears, and financial market risks (Text Table 1). 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 fresom domestic arrears is

[2] CAR's CI score based on the October 2023 World Economic Outlook (WEO) and the 2022 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 government cleared arrears with ENERCA in December 2023. However, due to significant treasury pressures, arrears are likely to remain with SODECA and SOCATEL.

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

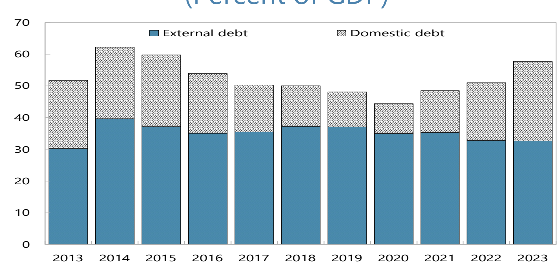
1	**The country's coverage of public debt**	The central, state, and local governments plus social security, government-guaranteed debt			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	5.0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

Sources: IMF staff estimates and country authorities.
1/ The default shock of 2% 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%.

BACKGROUND ON DEBT

4. CAR's public and publicly guaranteed (PPG) debt amounted to 57.7 of GDP in 2023, 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 57.7 percent of GDP in 2023, 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 which lead to a ramping up of issuances in the CEMAC regional market (Text Figure 1).[5] Public debt is projected to decline gradually to about 43 percent of GDP by 2030 led by a fall in domestic debt which represents about 45 percent of CAR's total public indebtedness.

Text Figure 1. Evolution of Public Sector Debt, 2013–23
(Percent of GDP)



Sources: IMF Staff estimates and country authorities.

Note: Total public sector debt increased to 57.7 percent of GDP in 2023 from 51.1 percent of GDP in 2022, chiefly driven by net issuances of medium-term regional debt for CFAF 90 billion or 5.6 percent of GDP. Around CFAF 5 billion of those net issuances were used to clear arrears with ENERCA in December 2023.

[5] Previously unrecognized loan of US$20 million contracted by CAR in 2014 from Angola has been added to the debt stock resulting in a slight uptick in the external debt stock.

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 have picked up significantly since 2021. Given additional issuances of domestic securities and use of SDR allocation in 2022, domestic debt stood at 18.2 percent of GDP that year. At end-2023, domestic debt was at 25.1 percent of GDP. Subscription rates in 2023 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 2023. 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 finance 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 was relatively stable at 32.6 percent of GDP by the end of 2023.** 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 Extended credit Facility (ECF) commitments to zero non-concessional borrowing.[6] In particular, they have not made any drawings on the non-concessional loans 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 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 Table 1).** Multilateral creditors, mainly the IMF and the World Bank, held close to 60 percent of external debt in 2023. CAR has a large stock of officially

[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).

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). In 2023, CAR accumulated arrears to its bilateral creditors and some multilateral creditors amounting to about CFAF 3.6 billion mainly due to liquidity challenges. Total bilateral debt amounts to about 14 percent of GDP, with India, China, Saudi Arabia, Kuwait, and Angola 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 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 arrears to multilateral and bilateral creditors. Legacy arrears are with OFID, with recent arrears to BADEA and FIDA. Arrears to FIDA have already been cleared while there is a credible plan to resolve the arrears with OFID and BADEA. Recently discovered debt obligations to Angola with arrears (amounting to about CFAF 1.8 billion) are a subject of negotiation with the Angolan authorities for a path towards clearing them.[8] In 2023, CAR also accumulated new bilateral arrears to China, Saudi Arabia, Kuwait, India, and Serbia amounting to about CFAF 3.4 billion, mainly as a result of liquidity challenges and coordination challenges between the Debt Directorate and the Treasury. These do not trigger an in-distress assessment because they are treated as *de minimis*. See text table 2 below for a breakdown of both recent and legacy arrears.

[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 since they are assessed to be de minimis (about US$14 million i.e., less than 1 percent of GDP). The amount of arrears for Angola is provided by the CAR authorities. There is uncertainty about the exact amount since the loan was dormant for a while and has been under active negotiation since 2022 with the possibility of a standstill.

Table 1. Central African Republic: Composition of Public Sector Debt, 2023-2025[1]

	Debt Stock (end of period)			Debt Service					
	2023			2023	2024	2025	2023	2024	2025
	(mil US$)	*(Percent total debt)*	*(Percent GDP)*	*(In US$)*			*(Percent GDP)*		
Total	1516.8	100.0	57.7						
External	856.8	56.5	32.6	36.1	48.5	63.2	1.4	1.7	2.1
Multilateral creditors[2,3]	476.5	31.4	18.1	30.0	41.6	51.5	1.1	1.5	1.7
IMF	289.3	19.1	11.0	23.5	34.7	44.6	0.9	1.2	1.5
World Bank	123.5	8.1	4.7	3.5	3.8	3.8	0.1	0.1	0.1
ADB/AfDB/IADB	15.5	1.0	0.6	0.1	0.1	0.1	0.0	0.0	0.0
Other Multilaterals	48.2	3.2	1.8	3.9	4.2	4.2	0.1	0.1	0.1
o/w: FIDA	16.8	1.1	0.6	3.0	3.0	3.0	0.0	0.0	0.1
o/w: BDEAC	10.9	0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0
o/w: BADEA	11.1	0.7	0.4	0.9	1.2	1.2	0.2	0.2	0.0
Bilateral Creditors[2]	377.8	24.9	14.4	6.0	6.9	11.7	0.2	0.2	0.4
Paris Club	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0
o/w: list largest two creditors									
list of additional large creditors									
Non-Paris Club	377.8	24.9	14.4	6.0	6.9	11.7	0.2	0.2	0.4
o/w: pre-HIPC arrears	213.0	14.0	8.1	0.0	0.0	0.0	0.0	0.0	0.0
o/w: India	41.9	2.8	1.6	1.5	1.9	3.0	0.1	0.1	0.1
o/w: Saudi Arabia	70.2	4.6	2.7	1.4	1.7	4.6	0.1	0.1	0.2
o/w: Kuwait	20.0	1.3	0.8	0.1	0.1	0.9	0.0	0.0	0.0
o/w: China	17.1	1.1	0.7	2.0	2.0	2.0	0.1	0.1	0.1
o/w: Congo	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	660.1	43.5	25.1	70.0	100.2	132.3	2.7	3.6	4.4
Held by residents, total	660.1	43.5	25.1	70.0	100.2	132.3	2.7	3.6	4.4
Held by non-residents, total									
T-Bills	17.3	1.1	0.7	20.1	26.1	8.2	0.8	0.9	0.3
Bonds	278.9	18.4	10.6	33.6	47.7	92.6	1.3	1.7	3.1
Loans	363.9	24.0	13.9	16.4	26.3	31.4	0.6	0.9	1.0
Memo items:									
Collateralized debt[4]									
o/w: Related									
o/w: Unrelated									
Contingent liabilities									
Nominal GDP	2626.8						2626.8	2814.9	3027.8

Sources: IMF Staff calculations and country authorities.

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. The capacity to collect data on this is currently lacking.

Text Table 2. Central African Republic: Composition of Public Sector Debt Arrears, end-2023[1]

CFAF million	Recent Arrears	
China	Bilateral	1,242
India	Bilateral	934
Kuwait	Bilateral	71
Serbia	Bilateral	288
Saudi Arabia	Bilateral	896
BADEA	Multilateral	68
FIDA*	Multilateral	168
	Total (CFAF)	3,666
	Total (% GDP)	0.23
	Legacy Arrears[2]	
Argentina	Bilateral	19,416
CT-Consolides	Bilateral	438
Equatorial Guinea	Bilateral	3,587
Iraq	Bilateral	2,738
Libya	Bilateral	8,127
Taiwan, Province of China	Bilateral	89,272
UAPT	Bilateral	1,056
OFID	Multilateral	5,761
	Total (CFAF)	130,394
	Total (% GDP)	8.18
Domestic Arrears	Total (CFAF)	17,000
	Total (% GDP)	1.07

Sources: IMF Staff calculations and country authorities.
*/Arrears to FIDA has already been cleared.
1/ Arrears to Angola amount to about CFAF 1.8 billion. This amount of arrears is provided by the CAR authorities. There is uncertainty about the exact amount since the loan was dormant for a while and has been under active negotiation since 2022 with the possibility of a standstill.
2/Legacy arrears are mainly arrears that predate the HIPC completion point and have been a subject of negotiation for a long time.

UNDERLYING MACROECONOMIC ASSUMPTIONS

11. Compared to the previous DSA, near-term risks have increased due to upcoming maturities in the regional debt market, along with new data recording shortfalls that brought to the inclusion of two previously non-included loans with regional banks. For the second year in a row, the authorities have opted for a domestic syndication, amounting to CFAF 50 billion which showed a 100 percent subscription. The proceeds of the issuance were used to rollover up most maturity walls in 2024. Yet, total amortizations in the regional debt market are scheduled at CFAF 57 billion in 2025.Substantial issuances of 3-year instruments last year have increased maturities to a further CFAF 49 billion in 2026. Moreover, the inclusion in the debt stock of two previously non-included loans has weakened the debt position and evidences the significant shortfalls in bookkeeping and transparency. These shortfalls are among the main impediments to a full resumption of budget support from traditional donors.[9]

[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

12. CAR has faced difficulties covering its financing needs since 2021. The financing outlook hinges on the government's ability to adhere to the ECF-supported 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. Moreover, protecting the access to the CEMAC debt market is critical to address the upcoming maturities. This needs to be done through an appropriately tight fiscal stance and continuous investor outreach.

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

Growth

- Real GDP growth in 2023 was at just 0.7 percent, below the 1 percent anticipated in the prior DSA. Growth last year was hampered by limited fuel imports and frequent electricity outages. Agriculture, timber, and gold mining sectors performed better. For 2024, real GDP growth is projected at 1.4 percent, slightly down from the 1.5 percent anticipated in the prior DSA, assuming that fuel supply recovers thanks to a successful river campaign. Downside risks to the outlook are significant and include a failure to ensure a sufficient provision of hydrocarbons and a deterioration in security. The materialization of these risks would disrupt economic activity and cause significant revenue and donors' financing shortfalls.

- The medium-term growth projection is broadly unchanged. After bouncing back in 2025 to 2.9 percent, economic growth would reach 3.7 percent in 2026 and 2027. This performance assumes a continued strengthening in fuel and electricity supply, along with a continued increase in extractive and forestry exports. It also envisages a strengthening in the business environment through transparency and governance improvements,[10] as established in the ECF-supported program. The medium-term growth improvement is further bolstered by recent enhancements in security conditions, notably observed since 2022, particularly in the greater Bangui area and major secondary urban centers. These urban havens host significant sectoral activities contributing to local value-added creation, such as food and beverage processing, construction, and wood transformation.

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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 and the ongoing Public Finance Review (PFR) from the World Bank. 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).

[10] Recent governance enhancements comprise the enactment of the anti-corruption legal framework in 2023 and the bolstering of judges' independence from the Court of Audits (*Cour des Comptes*).

- 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, an increase in public and private investments, and improvement in human capital and productivity thanks to steadfast implementation of reforms and ongoing investment projects.[11] Investment in broader sectors of the economy should also foster an increasing and more diversified export base.

Inflation

- The inflation projection for 2023 was revised down from 5.5 percent in the last DSA to 4 percent due to the reduction in fuel prices at the pump. 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. Yet, inflation projections are susceptible to upside risks given CAR's susceptibility to external shocks that could push up the price of food and of other imported goods.

Public Finances

- Financing needs during 2023 were largely satisfied through a regained access to the CEMAC regional debt market, coupled with credit lines with two local banks, as well as IMF financing[12] and a small drawdown from the country's SDR account. In addition, disbursements from the World Bank helped close the financing gap during the last quarter of 2023, as anticipated at ECF program approval and at the first review. Financing from AfDB was approved in December, but only disbursed in January 2024.

- In the medium term (2024-27), budget support grants are expected to gradually increase to 3.0 percent of GDP on the assumption that the government will reach an agreement with traditional donors to unblock their financing.[13] At this stage, the projected increase in grant support from development partners remains uncertain due to the current level of commitment from national counterparts to prioritize and efficiently implement critical reforms, as well as the influence of complex geopolitical factors. In addition, domestic

[11] For instance, the World Bank approved in June 2022, a US$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 US$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.

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

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

revenue mobilization is anticipated to increase by an average of 0.65 percent of GDP per year, chiefly led by a bolstering in revenues from fuel imports, the rollout of eTax, the opening of new customs offices thanks to the improvement in security, the implementation of a VAT electronic invoicing system, and continued efforts to recover past-due taxes.[14] Downside risks to the revenue outlook include a failure to ensure a sufficient provision of hydrocarbons and shortfall in donor grants, particularly in the case of reversals in macroeconomic and governance reforms or in the security situation. 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 broadly unchanged at around a surplus of 1.1 percent of GDP (from a deficit of 2.1 percent of GDP for 2024).

- Most of financing needs in 2024 and 2025 would still be covered through the regional debt market. CAR's continued market access is supported by (i) the fact that most maturities for this year were already repaid through a successful syndication last April, which should help alleviate liquidity pressures; (ii) the good prospects for the authorities to deliver the fiscal consolidation incorporated in the ECF-supported program, which should keep financing needs consistent with investors' lending capacity; (iii) the regular communication of the authorities with primary dealers; and (iv) the ongoing operationalization of the public debt coordination and management committee (PNDP) and development of a medium-term debt strategy, which should help authorities gain more predictability when planning regional debt issuances. In 2026 and 2027 it is anticipated that external concessional borrowing would have been resumed and therefore the reliance on the regional market should subside.

Text Table 3. Central African Republic: Macroeconomic Assumption

	Proposed DSA-ECF arrangement (1st review)		Proposed DSA-ECF arrangement (2nd review)	
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	2.0	3.2
GDP deflator (percent)	3.8	2.5	4.4	2.8
Non-interest current account balance	-8.0	-6.7	-8.1	-4.7
Exports of goods and services	15.0	16.9	15.0	16.6
Primary balance	-2.1	-0.8	-2.1	-0.5
Revenues and grants	15.3	14.9	15.3	14.6

Source: IMF staff projections.

[14] The aforementioned domestic revenue mobilization projections carry a significant downside risk in their future realizations. Achieving the projected improvement in the primary fiscal deficit largely depends on the recovery of the fuel market and the sustained reform efforts by the Ministry of Finance and Budget, supported by international partners.

- In the long term (2028-42), domestic revenues (government revenues excluding grants) are assumed to follow a gradual upward trend, reaching around 13 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 i) establishment and publication of a streamlined price structure on a monthly basis, including for non-registered importers; (ii) a broadening of the usage of new software (SYDONIA World) to register customs operations, including on fuel and cigarette imports; (iii) stronger collaboration between the Tax Agency and Customs to apply the established penalty on unregistered importers; and iv) acceleration of the consolidation of all fees and expenses of services collected by the various ministries in the Treasury Single Account (TSA). Budget support grants are assumed to decline to less than 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[15]. The primary fiscal balance would reach a deficit of around 0.4 percent of GDP by the end of the forecast period, reflecting a faster revenue mobilization amid the continued implementation of fiscal reforms.

External

- The current account deficit (with grants) narrowed in 2023 to 9 percent of GDP from 12.7 percent of GDP in 2022, driven by a rebound in mining and wood exports, subdued fuel imports, and a partial resumption in budget support. The current account deficit is expected to slide to a 4.2 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.

- In the medium term, official budget support transfers are expected to ramp up, project-support transfers to remain relatively solid, while FDI inflows are projected to increase moderately to 1.6 percent of GDP. Overall, the balance of payments is projected to reach a moderate surplus of around 2.7 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 trajectory 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

[15] 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.

distribution across LICs. The path of public debt is also similar compared to the previous DSA, though 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. Fiscal consolidation in CAR will hinge on the authorities' ability to increase domestic revenue mobilization per program commitments and attract donor support. Growth in 2024 appears optimistic with 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. In particular, private investment would grow as the business and governance environments strengthen, infrastructure develops, and the financial sector deepens along with a narrowing in government financing needs. These trends are also in line 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 October 2023. The country's composite indicator (CI) is 2.27 based on the October 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	0.071	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 the threshold for the most extreme standardized stress test. The present value of the debt-to-exports ratios declines from close to the 140 percent threshold in 2024 to well below its threshold in the medium term. The bilateral and multilateral debt relief during the pandemic, expectation of a resumption in grants in the outer years of the projection, as well as the fact that some previously unidentified concessional financing was replaced with the SDR allocation (counted as domestic debt) explains the debt trajectory. 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 4 years from 2024 under the baseline scenario, there are mitigating factors. The external debt service-to-exports and the debt service-to-revenue ratios both breach their respective threshold for 4 years starting in 2024, 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 2024 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) owing to the recent recognition of arrears due to them and a more conservative domestic revenue trajectory. 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 the CEMAC regional 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 exchange rate depreciation, respectively).

B. Public Debt Sustainability Analysis

19. Driven by the surge in domestic debt, the total public debt indicators are high but drop below the relevant threshold starting in 2027 (Figure 2). The present value of the debt-to-GDP ratio is on a higher path. Data outturn in 2023 has heightened debt vulnerability as the PV of debt-to-GDP breaches its threshold from 2024 to 2026 partly on account of rising issuances of regional debt along with domestic debt reconciliation that triggered the addition of two previously unincluded bank loans. The PV of debt-to-GDP shows a gradual declining trend, predicated on conservative financing assumptions that financing gaps are to be mostly covered by concessional external debt, while renewed donor support would result in substantially more favorable dynamics. The PV of the debt-to-revenue ratio also shows a declining path through the projection period. The debt-service-to-revenue and grants ratio will remain elevated, reflecting particularly higher domestic debt service payments. A standardized shock to combined contingent liabilities 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.[16] A possible 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 would severely affect the budget and, ultimately debt risks.

RISK RATING AND VULNERABILITIES

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

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, of which the risks have remained significant since the last DSA due to still subdued budget support and the weakening fiscal revenue linked to fuel shortages. Total public debt by 2027 is anticipated to surpass the metric shown in the prior DSA by around 1.4 percent of GDP.

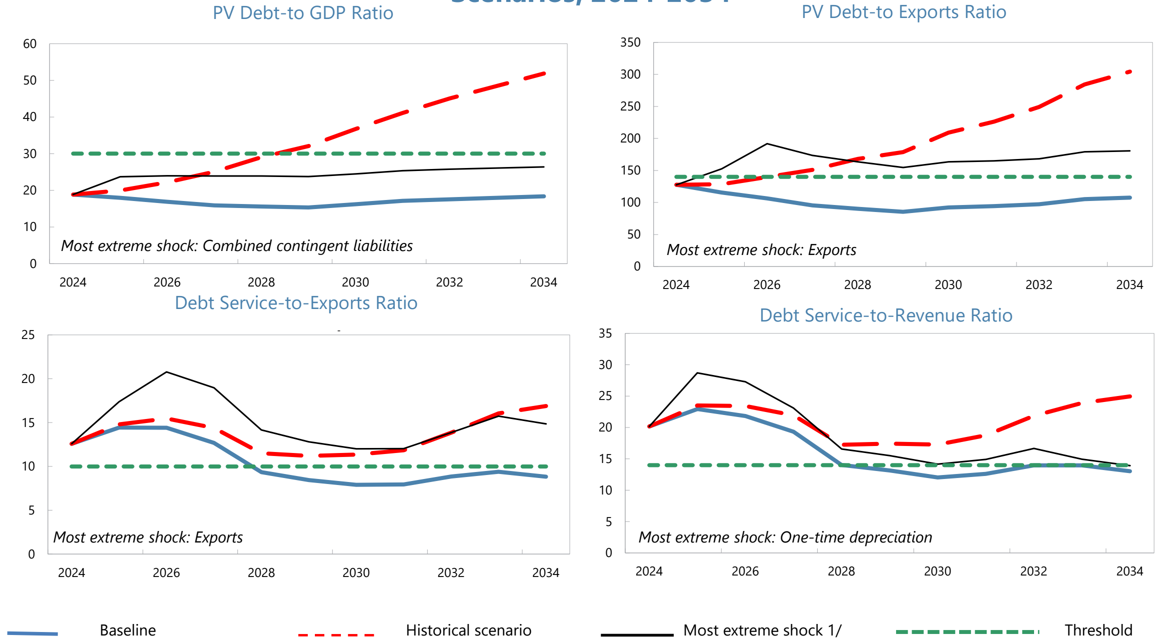
21. A few other considerations support the high-risk assessment. Macroeconomic projections are particularly uncertain in the near term, as the country is buffeted by overlapping crises, and the full resumption of full-scale donor support continues to be delayed. Significant fiscal adjustment will be required over the medium term amid limited external financing options. While the country has been increasingly tapping domestic CEMAC markets in 2021-23, large financing needs through 2026 have exacerbated rollover risks. Further delays in a full 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 disbursements under the ECF-arrangement, are expected to help close the 2024 financing gap. The country still enjoys access to the regional CEMAC market, so additional regional 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 agreements with donors to durably 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 of the vulnerabilities contained in the report. They agreed that liquidity challenges in the short to medium terms remain the greatest hindrance to debt sustainability. Thus, the full implementation of the ECF-supported program, particularly revenue measures, is necessary to reduce debt service vulnerabilities. The revenue-led fiscal consolidation path envisioned in the program, coupled with strong governance and transparency reforms in the structural reform agenda, is key to improve donor relations and unlock the necessary financing. The authorities agreed that a proactive debt management system is necessary to further reduce debt vulnerabilities and the occurrence of arrears. They also agreed that grant financing, as well as concessional external financing, are needed to tackle the many developmental needs of the country while improving debt sustainability.

Figure 1. Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2024-2034



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.

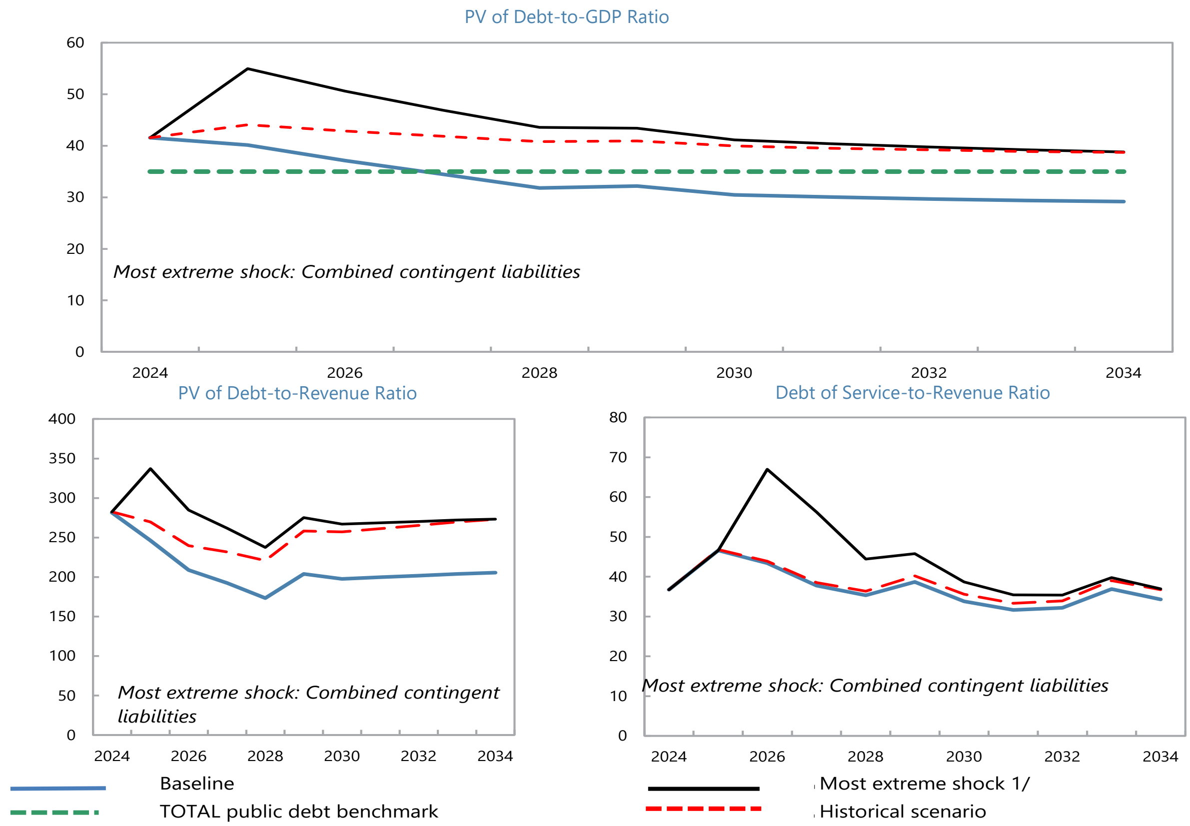
Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

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	1.9%	1.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	28	28
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 extreme 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, 2024-2034



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	47%	60%
Domestic medium and long-term	53%	14%
Domestic short-term	0%	26%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.8%
Avg. maturity (incl. grace period)	28	30
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.9%	5.4%
Avg. maturity (incl. grace period)	4	2
Avg. grace period	2	1
Domestic short-term debt		
Avg. real interest rate	0.0%	2.0%

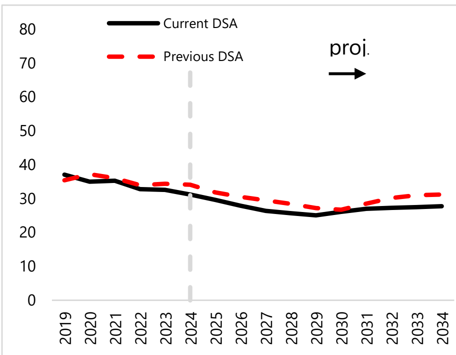
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

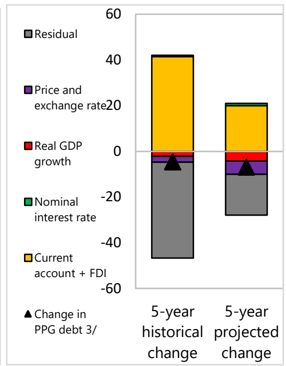
Figure 3. Drivers of Debt Dynamics Baseline Scenario

External Debt

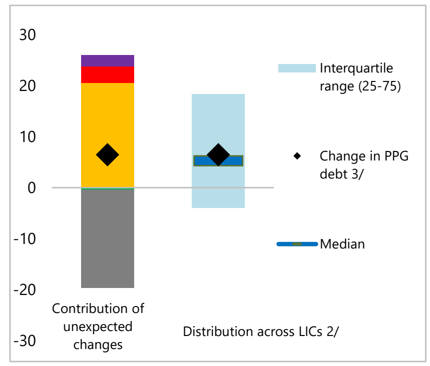
Gross Nominal PPG External Debt
(In percent of GDP; DSA Vintages)



Debt-creating Flows
(Percent of GDP)

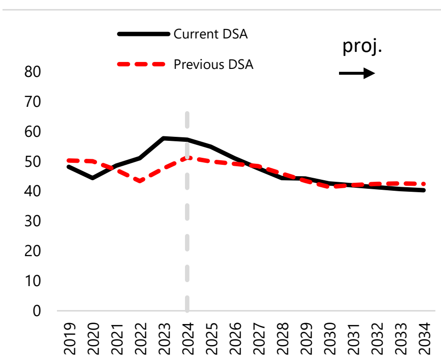


Unexpected Changes in Debt 1/
(Past 5 Years, Percent of GDP)

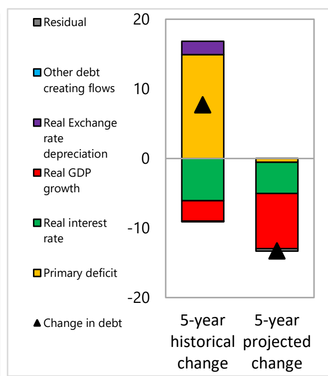


Public Debt

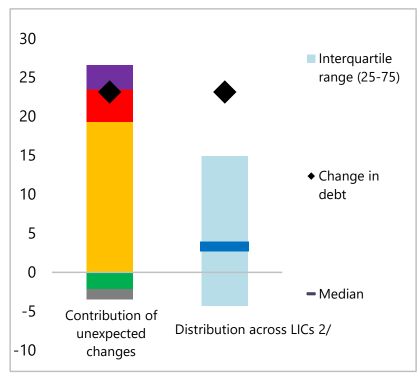
Gross Nominal PPG External Debt
(In percent of GDP; DSA Vintages)



Debt-creating Flows
(Percent of GDP)



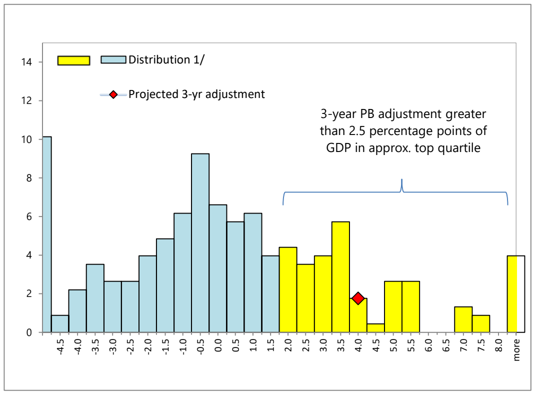
Unexpected Changes in Debt 1/
(Past 5 Years, Percent of GDP)



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.

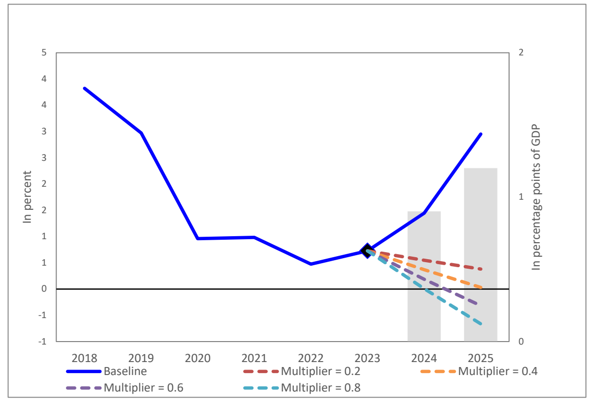
Figure 4. Realism Tools

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



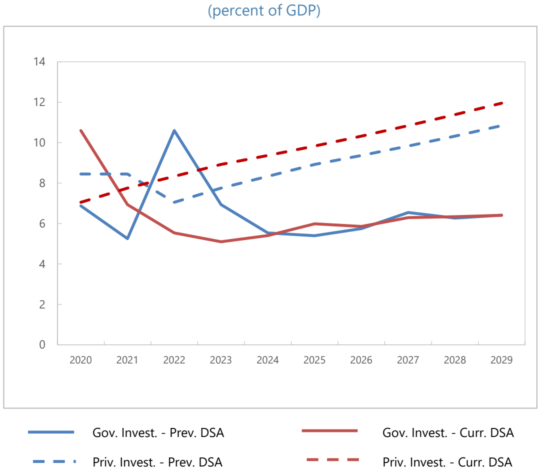
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

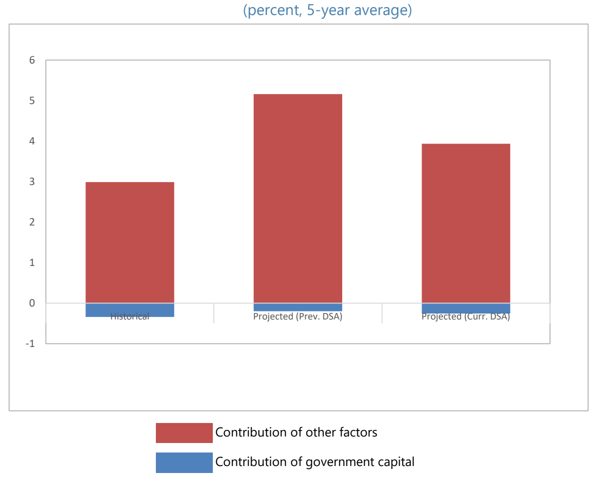


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



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



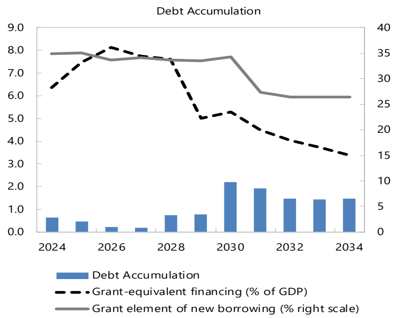
Source: IMF staff projections

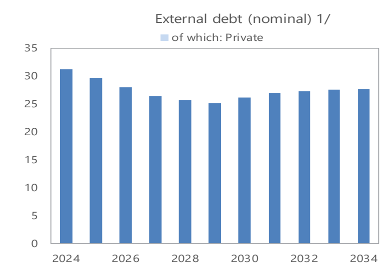
Table 2. Central African Republic: External Debt Sustainability Framework, Baseline Scenario, 2021-2044

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	35.3	32.8	32.6	31.2	29.6	27.9	26.4	25.7	25.1	27.8	27.2	35.7	27.4
of which: public and publicly guaranteed (PPG)	35.3	32.8	32.6	31.2	29.6	27.9	26.4	25.7	25.1	27.8	27.2	35.7	27.6
Change in external debt	0.3	-2.5	-0.2	-1.4	-1.6	-1.7	-1.5	-0.7	-0.6	0.2	-2.6		
Identified net debt-creating flows	8.2	13.6	5.4	6.7	4.8	2.7	1.6	1.0	2.4	2.2	1.7	6.7	2.7
Non-interest current account deficit	11.0	12.6	8.9	8.4	6.8	5.0	4.0	3.4	4.9	4.7	4.4	8.8	5.0
Deficit in balance of goods and services	18.2	20.0	17.4	17.5	16.6	15.6	14.6	14.1	13.3	13.2	11.0	18.3	14.2
Exports	13.7	13.7	14.8	14.8	15.5	15.9	16.6	17.3	17.9	17.0	15.3		
Imports	31.9	33.7	32.2	32.3	32.1	31.5	31.2	31.4	31.2	30.2	26.3		
Net current transfers (negative = inflow)	-7.2	-7.4	-8.8	-9.3	-9.8	-10.8	-10.7	-10.7	-8.4	-8.2	-6.0	-9.6	-9.2
of which: official	-1.9	-2.0	-3.1	-3.3	-4.0	-5.0	-5.1	-5.2	-2.9	-2.8	-2.3		
Other current account flows (negative = net inflow)	0.0	0.0	0.3	0.3	0.1	0.1	0.1	0.0	0.0	-0.3	-0.6	0.1	0.0
Net FDI (negative = inflow)	-0.2	-1.0	-1.5	-1.4	-1.4	-1.4	-1.6	-1.8	-1.9	-2.1	-2.4	-0.9	-1.8
Endogenous debt dynamics 2/	-2.6	1.9	-2.0	-0.3	-0.6	-0.8	-0.8	-0.7	-0.6	-0.3	-0.2		
Contribution from nominal interest rate	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.5	0.7		
Contribution from real GDP growth	-0.3	-0.2	-0.2	-0.4	-0.9	-1.0	-1.0	-0.9	-0.8	-0.8	-0.9		
Contribution from price and exchange rate changes	-2.3	2.0	-1.9	-1.7	...	...	...	...	...	...	...		
Residual 3/	-7.9	-16.0	-5.6	-8.2	-6.4	-4.4	-3.1	-1.7	-3.0	-2.0	-4.3	-6.5	-3.2
of which: exceptional financing	-0.4	-0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0		
											0.0		
Sustainability indicators											0.0		
PV of PPG external debt-to-GDP ratio	...	...	19.5	18.9	18.0	16.9	15.9	15.6	15.3	18.3	21.9		
PV of PPG external debt-to-exports ratio	...	...	131.9	127.6	115.5	106.3	95.5	90.2	85.5	107.7	143.4		
PPG debt service-to-exports ratio	3.5	3.7	3.8	12.6	14.4	14.4	12.7	9.3	8.4	8.8	8.3		
PPG debt service-to-revenue ratio	5.5	6.5	6.8	20.2	22.9	21.8	19.3	14.0	13.1	13.0	9.6		
Gross external financing need (Million of U.S. dollars)	291.1	299.4	209.4	250.0	232.8	189.6	156.6	121.3	179.7	219.0	275.6		
											0.0		
Key macroeconomic assumptions											0.0		
Real GDP growth (in percent)	1.0	0.5	0.7	1.4	2.9	3.7	3.7	3.6	3.5	3.2	3.2	2.4	3.2
GDP deflator in US dollar terms (change in percent)	7.1	-5.3	6.2	5.5	4.4	3.9	3.4	3.1	3.0	2.5	2.5	2.4	3.5
Effective interest rate (percent) 4/	0.3	0.3	0.5	0.5	0.7	0.8	0.8	0.9	1.0	1.8	2.3	0.5	1.1
Growth of exports of G&S (US dollar terms, in percent)	6.1	-4.6	15.4	6.7	13.1	10.1	12.4	10.8	10.9	5.7	5.5	4.9	8.2
Growth of imports of G&S (US dollar terms, in percent)	3.7	0.5	2.2	7.1	7.0	5.7	6.4	7.2	6.1	4.4	4.1	9.7	6.1
Grant element of new public sector borrowing (in percent)	...	...	...	34.9	35.0	33.6	34.0	33.7	33.5	26.4	27.1	...	31.4
Government revenues (excluding grants, in percent of GDP)	8.8	7.8	8.3	9.2	9.8	10.5	10.9	11.5	11.5	11.5	13.2	7.9	11.0
Aid flows (in Million of US dollars) 5/	141.8	123.3	170.8	165.0	208.7	237.2	244.4	255.0	169.3	143.3	78.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	6.4	7.5	8.1	7.8	7.6	5.0	3.4	1.6	...	5.8
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	80.4	80.7	82.9	83.9	83.1	76.7	62.4	47.0	...	73.6
Nominal GDP (Million of US dollars)	2584.4	2459.0	2631.7	2815.2	3025.8	3261.9	3498.6	3734.9	3984.0	5400.8	8469.5		
Nominal dollar GDP growth	8.2	-4.9	7.0	7.0	7.5	7.8	7.3	6.8	6.7	5.8	5.8	4.8	6.8
											0.0		
Memorandum items:											0.0		
PV of external debt 7/	...	...	19.5	18.9	18.0	16.9	15.9	15.6	15.3	18.3	21.9		
In percent of exports	...	...	131.9	127.6	115.5	106.3	95.5	90.2	85.5	107.7	143.4		
Total external debt service-to-exports ratio	3.5	3.7	3.8	12.6	14.4	14.4	12.7	9.3	8.4	8.8	8.3		
PV of PPG external debt (in Million of US dollars)			513.7	530.7	543.5	550.4	556.3	581.7	611.1	990.9	1855.5		
(PVt-PVt-1)/GDPt-1 (in percent)				0.6	0.5	0.2	0.2	0.7	0.8	1.5	1.6		
Non-interest current account deficit that stabilizes debt ratio	10.7	15.1	9.1	9.9	8.4	6.7	5.5	4.1	5.5	4.4	7.0		

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.

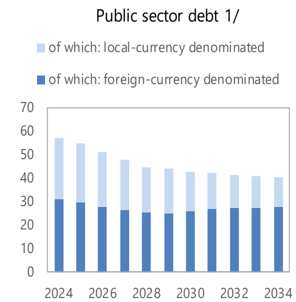
Note: The high residual is mainly as a result of changes in gross foreign assets, valuation adjustments as well as exchange rate changes.

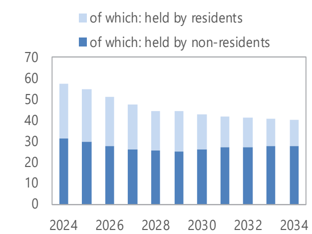
Table 3. Central African Republic: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021-2044

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	**48.5**	**51.1**	**57.7**	**57.3**	**54.9**	**51.1**	**47.7**	**44.4**	**44.3**	**40.3**	**31.8**	**52.6**	**46.1**
of which: external debt	**35.3**	**32.8**	**32.6**	**31.2**	**29.6**	**27.9**	**26.4**	**25.7**	**25.1**	**27.8**	**27.2**	**35.7**	**27.4**
Change in public sector debt	4.1	2.5	6.7	-0.5	-2.3	-3.8	-3.4	-3.2	-0.1	-0.4	-3.5		
Identified debt-creating flows	**6.7**	**4.5**	**0.9**	**-1.0**	**-1.9**	**-3.7**	**-3.3**	**-3.2**	**-0.2**	**-0.3**	**-0.6**	**-0.3**	**-1.4**
Primary deficit	**5.7**	**4.9**	**3.0**	**2.1**	**0.9**	**-1.0**	**-1.1**	**-1.3**	**1.5**	**0.7**	**0.4**	**1.7**	**0.4**
Revenue and grants	13.7	12.3	14.4	14.8	16.3	17.8	17.9	18.3	15.8	14.2	14.1	**15.1**	**15.9**
of which: grants	4.9	4.5	6.1	5.5	6.5	7.3	7.0	6.8	4.3	2.7	0.9		
Primary (noninterest) expenditure	19.4	17.2	17.3	16.8	17.2	16.7	16.8	17.0	17.3	14.9	14.6	**16.9**	**16.3**
Automatic debt dynamics	**1.0**	**-0.5**	**-2.1**	**-3.0**	**-2.7**	**-2.6**	**-2.2**	**-1.8**	**-1.6**	**-1.0**	**-1.0**		
Contribution from interest rate/growth differential	-1.6	-2.7	-1.4	-3.0	-2.7	-2.6	-2.2	-1.8	-1.6	-1.0	-1.0		
of which: contribution from average real interest rate	-1.2	-2.5	-1.1	-2.2	-1.1	-0.6	-0.3	-0.2	-0.1	0.2	0.1		
of which: contribution from real GDP growth	-0.4	-0.2	-0.4	-0.8	-1.6	-2.0	-1.8	-1.6	-1.5	-1.3	-1.1		
Contribution from real exchange rate depreciation	2.6	2.2	-0.6	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**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	0.0	0.0	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	**-2.6**	**-2.0**	**5.8**	**0.5**	**-0.4**	**-0.2**	**-0.1**	**-0.1**	**0.0**	**-0.2**	**-2.9**	**0.9**	**-0.1**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**43.0**	**41.6**	**40.1**	**37.1**	**34.5**	**31.8**	**32.2**	**29.2**	**25.4**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**299.3**	**281.6**	**246.4**	**208.9**	**192.5**	**173.5**	**203.9**	**205.6**	**179.6**		
Debt service-to-revenue and grants ratio 3/	**10.4**	**8.6**	**22.5**	**36.7**	**46.6**	**43.4**	**37.7**	**35.3**	**38.7**	**34.3**	**19.0**		
Gross financing need 4/	7.2	6.0	6.2	7.4	8.4	6.6	5.6	5.1	7.5	5.6	3.1		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	1.0	0.5	0.7	1.4	2.9	3.7	3.7	3.6	3.5	3.2	3.2	**2.4**	**3.2**
Average nominal interest rate on external debt (in percent)	0.3	0.3	0.5	0.5	0.7	0.8	0.8	0.9	1.0	1.8	2.3	**0.5**	**1.1**
Average real interest rate on domestic debt (in percent)	-1.7	-3.6	-0.7	-2.3	-0.2	0.9	1.4	1.7	2.0	3.2	2.9	**-2.5**	**1.5**
Real exchange rate depreciation (in percent, + indicates depreciation)	7.7	6.8	-2.0	...	...	...	...	...	...	...	...	**2.7**	**...**
Inflation rate (GDP deflator, in percent)	3.3	6.4	3.4	6.0	4.4	3.8	3.3	3.1	3.0	2.5	2.5	**4.3**	**3.5**
Growth of real primary spending (deflated by GDP deflator, in percent)	-21.0	-10.8	1.2	-1.5	5.0	1.2	4.3	4.8	4.9	1.8	5.0	**8.1**	**1.8**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	1.6	2.4	-3.7	2.5	3.2	2.8	2.3	1.9	1.6	1.2	4.0	**0.1**	**2.0**
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**





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 currency-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 stabilize 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 4. Central African Republic: Sensitivity Analysis for Key Indicators of Publicly Guaranteed External Debt, 2024-2034

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of debt-to GDP ratio											
Baseline	19	18	17	16	16	15	16	17	18	18	18
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	19	20	22	25	29	**32**	**37**	**41**	**45**	**48**	**52**
B. Bound Tests											
B1. Real GDP growth	19	19	18	17	17	17	18	19	19	20	20
B2. Primary balance	19	19	21	20	20	20	21	22	23	23	23
B3. Exports	19	20	22	21	20	20	21	21	22	22	22
B4. Other flows 3/	19	20	22	21	21	20	21	22	22	22	22
B5. Depreciation	19	22	17	16	15	15	16	18	18	19	20
B6. Combination of B1-B5	19	23	23	22	21	21	22	23	23	23	23
C. Tailored Tests											
C1. Combined contingent liabilities	19	24	24	24	24	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.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	128	116	106	96	90	85	92	94	97	105	108
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	128	129	140	**151**	**168**	**179**	**209**	**226**	**249**	**284**	**304**
B. Bound Tests											
B1. Real GDP growth	128	116	106	96	90	85	92	94	97	105	108
B2. Primary balance	128	124	130	122	119	114	121	122	125	134	135
B3. Exports	128	**153**	**192**	**174**	**164**	**155**	**164**	**165**	**168**	**179**	**180**
B4. Other flows 3/	128	132	**141**	128	121	114	120	121	123	131	131
B5. Depreciation	128	116	84	75	71	67	74	77	80	88	92
B6. Combination of B1-B5	128	**154**	130	**148**	139	132	140	**141**	**144**	**154**	**155**
C. Tailored Tests											
C1. Combined contingent liabilities	128	**153**	**151**	**144**	138	133	139	140	**143**	**153**	**155**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**13**	**14**	**14**	**13**	9	8	8	8	9	9	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**13**	**15**	**15**	**14**	**11**	**11**	**11**	**12**	**14**	**16**	**17**
B. Bound Tests											
B1. Real GDP growth	**13**	**14**	**14**	**13**	9	8	8	8	9	9	9
B2. Primary balance	**13**	**14**	**15**	**13**	**10**	9	9	9	10	**11**	**11**
B3. Exports	**13**	**17**	**21**	**19**	**14**	**13**	**12**	**12**	**14**	**16**	**15**
B4. Other flows 3/	**13**	**14**	**15**	**14**	**10**	9	9	9	**10**	**11**	**11**
B5. Depreciation	**13**	**14**	**14**	**12**	9	8	7	8	8	8	8
B6. Combination of B1-B5	**13**	**16**	**19**	**17**	**12**	**11**	**11**	**11**	**13**	**14**	**13**
C. Tailored Tests											
C1. Combined contingent liabilities	**13**	**14**	**15**	**14**	**11**	10	9	9	10	**11**	10
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**20**	**23**	**22**	**19**	**14**	13	12	13	14	14	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**20**	**23**	**23**	**22**	**17**	**17**	**17**	**19**	**22**	**24**	**25**
B. Bound Tests											
B1. Real GDP growth	**20**	**24**	**24**	**21**	**15**	**14**	13	14	**15**	**15**	**14**
B2. Primary balance	**20**	**23**	**22**	**20**	**15**	**14**	13	14	**16**	**16**	**16**
B3. Exports	**20**	**23**	**23**	**21**	**15**	**14**	13	14	**16**	**17**	**16**
B4. Other flows 3/	**20**	**23**	**22**	**21**	**15**	**14**	13	14	**16**	**17**	**16**
B5. Depreciation	**20**	**29**	**27**	**23**	**17**	**16**	**14**	**15**	**17**	**15**	14
B6. Combination of B1-B5	**20**	**25**	**25**	**22**	**16**	**15**	**14**	**15**	**18**	**18**	**17**
C. Tailored Tests											
C1. Combined contingent liabilities	**20**	**23**	**23**	**21**	**16**	**15**	14	**14**	**16**	**16**	**15**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.
1/ 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 5. Central African Republic: Sensitivity Analysis for Key Indicators of Public Debt, 2024-2034

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of Debt-to-GDP Ratio											
Baseline	**42**	**40**	**37**	34	32	32	30	30	30	29	29
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**42**	**44**	**43**	**42**	**41**	**41**	**40**	**40**	**39**	**39**	**39**
B. Bound Tests											
B1. Real GDP growth	**45**	**45**	**45**	**42**	**40**	**41**	**39**	**39**	**40**	**40**	**40**
B2. Primary balance	**45**	**46**	**47**	**43**	**40**	**40**	**38**	**37**	**37**	**36**	**36**
B3. Exports	**42**	**42**	**42**	**39**	**36**	**36**	35	34	34	33	33
B4. Other flows 3/	**42**	**43**	**43**	**40**	**37**	**37**	**35**	35	34	34	33
B5. Depreciation	**45**	**46**	**42**	**38**	34	34	31	29	28	27	26
B6. Combination of B1-B5	**45**	**44**	**44**	**38**	35	35	32	32	31	31	30
C. Tailored Tests											
C1. Combined contingent liabilities	**45**	**55**	**51**	**47**	**44**	**43**	**41**	**40**	**40**	**39**	**39**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	282	246	209	192	173	204	198	200	202	204	206
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	282	270	240	232	221	258	257	261	265	270	273
B. Bound Tests											
B1. Real GDP growth	304	273	243	228	211	253	250	257	264	271	277
B2. Primary balance	304	282	262	241	218	253	245	247	248	250	250
B3. Exports	282	257	235	218	198	231	225	227	229	229	230
B4. Other flows 3/	282	262	240	223	202	236	230	232	233	234	234
B5. Depreciation	304	293	243	219	193	217	203	198	194	190	186
B6. Combination of B1-B5	304	275	247	215	191	220	211	211	212	213	214
C. Tailored Tests											
C1. Combined contingent liabilities	304	337	285	262	238	275	267	269	270	272	273
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	37	47	43	38	35	39	34	32	32	37	34
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	37	47	44	39	36	40	36	33	34	39	37
B. Bound Tests											
B1. Real GDP growth	37	48	46	42	40	46	41	39	40	46	44
B2. Primary balance	37	47	49	51	44	44	38	34	35	40	38
B3. Exports	37	47	44	38	36	39	34	32	33	39	36
B4. Other flows 3/	37	47	44	39	36	40	35	32	34	39	37
B5. Depreciation	37	47	47	41	37	40	35	33	34	39	36
B6. Combination of B1-B5	37	46	43	44	40	41	35	32	32	37	34
C. Tailored Tests											
C1. Combined contingent liabilities	37	47	67	56	44	46	39	35	35	40	37
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ 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.

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

June 21, 2024

SECOND REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR A WAIVER OF NONOBSERVANCE OF CONTINUOUS PERFORMANCE CRITERION, AUGMENTATION OF ACCESS, AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION

Prepared By

Prepared by the African Department in consultation with the Strategy, Policy, and Review Department as well as the Legal and Fiscal Affairs Departments.

This supplement provides information that has become available since the issuance of the staff report (EBS/24/53) on June 10, 2024, related to the fulfillment of the two prior actions. The additional information does not change the thrust of the staff appraisal.

Recent Developments

1. **The authorities completed the first prior action by enhancing the transparency of the fuel price structures.** They have signed a new decree that will govern the price setting for licensed fuel importers along with an administrative act for unregistered importers not depositing at SOCASP (the national fuel storage company). For both categories of importers, price structures have started to be regularly published on the website of the ministry of finance, with more details on the components of the price structures consistent with transit and storage regimes. In addition, all duties and taxes will now be applied to unregistered fuel imports based on the same reference prices as licensed imports plus a 30 percent premium.

2. **The authorities also completed the second prior action by taking action to level the playing field in the fuel sector.** The authorities have issued an injunction to the monopoly importer to comply with (i) CAR's existing laws and regulations mandating the incorporation of a local office and the request for an operating license, and with (ii) the regulations governing the new price structure mechanism. In addition, the President of the Republic signed a new decree introducing the new forward-looking pricing mechanism consistent with the recommendations of the IMF technical assistance . Finally, the monopoly importer provided a written commitment to import at least 80 percent of total petroleum products via the river consistent with the existing laws and regulations

Statement by Mr. Regis O. N'Sonde, Mr. Abdoulaye Tall, and Mrs. Raguiata Bah on Central African Republic
June 24, 2024

Introduction

On behalf of our Central African Republic (CAR) authorities, we would like to thank the Executive Directors and Management for the Fund’s continued support to CAR through both financing and capacity building.

We would also like to thank Staff for the comprehensive reports and the constructive engagement with the authorities, including during the discussions held in Bangui on the second review under the Extended Credit Facility (ECF). The authorities concur with the thrust of Staff’s assessment of the development challenges they face and appreciate the relevance of the policy recommendations received.

Recent Socioeconomic Developments and Outlook

The CAR authorities continued to face a challenging environment during the review period. The security situation improved in certain areas of the country as the authorities made progress in regaining control of the territory. However, significant challenges remain.

The humanitarian situation remains tenuous. In addition to the displaced population, CAR continued to host refugees fleeing conflict in neighboring countries, including Soudan. A significant share of the population —33 percent of CAR’s population, more than 2 million people — continues to face acute food insecurity, although security gains have allowed some internally displaced persons to return. The UN agencies estimate that only 28.35 percent of the financing needed for the humanitarian response in 2024 are covered.

Against this challenging backdrop, economic recovery remained subdued. Real GDP growth turnout for 2023 was lower than expected, at 0.7 percent due to heavy disruptions in fuel and electricity. Inflation declined to 4 percent, and the external position improved, notably due to a reduction in fuel imports and an increase in exports of timber and gold.

Economic recovery is expected to be firm in 2024, with real GDP growth of 1.4 percent but growth prospects are contingent on the implementation of reforms in the fuel markets, improved business climate, resumption of donors' support, and continued security improvements. Inflation is expected to decline further within the region's target, due notably to the normalization of fuel market operations.

Significant downside risks remain, including global financial conditions, geopolitical tensions, domestic reforms, and security.

Program implementation was broadly satisfactory against the challenging backdrop. All but one quantitative performance criteria were met. To achieve the revenue targets and control spending, the authorities took difficult measures, which unfortunately impacted social spending targets. The continuous performance criterion for the non-accumulation of external arrears was also missed, due to liquidity pressures from the chocs mentioned earlier and capacity constraints. To address the arrears, the authorities reached out to creditors, and sought to strengthen the coordination between the cash and debt management units. All structural benchmarks were met, although one was met with a delay.

Policies and reforms

The authorities' policies will aim at further consolidating macroeconomic stability while promoting sustainable growth, in line with their national development strategy. They are in the process of finalizing the 2024-2028 National Development Plan and are currently consulting with development partners and domestic stakeholders to ensure broad-based ownership of the vision for the future. The key pillars of the plan are: i) strengthening security; ii) investing in human capital; iii) building sustainable infrastructure and promoting growth; and iv) fostering resilience to climate change. To help fund the development prioritizes the authorities will engage with donors and count on the ECF program's catalytic role in helping mobilize concessional resources.

Fiscal Policy

The authorities are resolved to advance their revenue-led fiscal consolidation to address significant humanitarian and social spending needs, as well as prioritize growth-enhancing investments, while preserving debt sustainability.

In this vein reforms will focus on mobilizing additional revenues. Reforms in the fuel market will help restore the tax base and provide much-needed relief to both consumers and businesses that face higher retail prices. They will also help address the deleterious consequences of fuel shortages or unreliable informal market suppliers.

To broaden the tax base, the authorities plan to rationalize tax expenditures, step up tax enforcement and combat tax fraud or leakages, notably on unlicensed fuel and unregistered importers. They will also step up tax arrears collection efforts, and enforce minimum customs declaration values on imported cigarettes.

On spending, the authorities will strive to protect social spending and curb extra-budgetary spending. Spending using extraordinary procedures will also be contained.

On public financial management, the authorities are resolved to strengthen their medium-term fiscal framework, supported by the Fund's technical assistance. They plan to fully leverage the SIM_BA software platform to improve budget management and will invest in adequate IT equipment and training to achieve that goal. Progress will also be made towards an effective implementation of the treasury single account, including through the centralization of revues collected by line ministries ("Menu recette").

On debt, the authorities will focus on strengthening debt management and implementing prudent policies to preserve debt sustainability. In this respect, they are planning to implement a medium-term debt strategy and build capacity with Fund's support. In the meantime, their policies aimed at lengthening their debt maturities to reduce roll-over risks and at strengthening debt management capacity, as well as the coordination between the debt unit and Treasury. They are committed to prioritize grants and highly concessional financing within program limits.

They are also stepping up efforts to prevent the occurrence of new arrears and to normalize relations with their creditors.

Monetary and Financial Sector Policies

The regional central bank continued to prioritize controlling inflation and building reserves. Accordingly, inflation declined to within the regions target. Financial soundness indicators show that the banking system remain resilient and stable. However, the authorities continue to closely monitor individual banks, given the still elevated non-performing loans, and liquidity and concentration risks.

Structural reforms

The authorities plan to implement high quality structural reforms with a view to fostering sustainable growth and resilience to climate change.

Enhancing the economy’s competitiveness and governance of natural resources

Improving the business climate is a key strategic priority for the authorities. In that regard, they have adopted a new mining code in line with international standards and are determined to strengthen further natural resource management, with the support of the World Bank.

Resilience to Climate Change

CAR is vulnerable to climate change, due notably to the reliance of the population on farming which is uniquely exposed to rainfall variations. Economic activity and the fuel market also rely heavily on the Oubangui River, which has seen its water volume decline due to climate change. At the same time, CAR’s forestry contributes significantly to global carbon capture. The authorities intend to leverage their natural wealth and are developing carbon markets to that effect.

They also plan to step up their adaptation and mitigation efforts. In this vein, they requested a CCDR from the World Bank and climate-related technical assistance from the IMF. They look forward to building on these diagnostic tools to prepare strong reform measures that could be supported by an RSF arrangement.

Fuel market reforms

As mentioned above, the authorities are in the process of reforming the key fuel market and welcome the close support of the Fund as well as the collaboration of stakeholders. The key objective of the reform is to level the playing field by fostering competition, reforming the petroleum pricing structure to safeguard the budget while improving transparency, and helping ensure adequate energy supply. To that end, they committed to swiftly implementing an action plan to address identified issues.

On Governance and Safeguard

The authorities are committed to adhering to the highest transparency and governance standards, which will facilitate resumption of budget support from development partners. They will continue to invite technical and financial partners to the monthly treasury committee meeting. They are also committed to implement the recommendations of the World Bank's Public Expenditure and Financial Accountability (PEFA) assessment. The ECF program features enhanced safeguards, with the authorities committing to use 90 percent of the disbursement to repay the IMF, and the remaining 10 percent to pay salaries using fiduciary processes from the World Bank.

To further strengthen governance, they have adopted an anticorruption law and are in the process of adopting legislation to significantly strengthen the role and autonomy of the supreme audit institution, the Court of Audit. They are also implementing an institutional plan to strengthen the agencies responsible for enforcing the anticorruption law, including the Financial Intelligence Unit, the *Agence Nationale d'investigations* financieres (ANIF). Additional reforms are planned to overhaul AML/CFT laws and operationalize the asset declaration obligations of senior public officials.

Conclusion

Considering the authorities' satisfactory program implementation and their commitment to maintain sound policies going forward, we would appreciate Directors' support to the authorities request for completion of the second review under the ECF arrangement and the associated requests.