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Central African Republic: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 18, 2009

The following item is a Letter of Intent of the government of Central African Republic, which describes the policies that Central African Republic intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Central African Republic, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

TRANSLATED FROM FRENCH

CENTRAL AFRICAN REPUBLIC
LETTER OF INTENT

Bangui, November 18, 2009

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, DC, 20431
USA

Mr. Strauss-Kahn:

1. The government of the Central African Republic has successfully implemented the measures contained in the economic and financial program with the support of the International Monetary Fund through its Poverty Reduction and Growth Facility (PRGF).
2. The attached memorandum of economic and financial policies (MEFP) supplements previous memoranda attached to the letters dated November 30, 2006, September 7, 2007, June 3, 2008, December 4, 2008, and June 5, 2009. The last sets out quantitative performance criteria for end-June 2009 for completion of the fifth review (sixth disbursement) of the PRGF arrangement.
3. All quantitative performance criteria for completion of the fifth review under the PRGF arrangement were observed except for the government credit from commercial banks. On the basis of our overall performance and on the strength of the policies set forth in the attached memorandum, we request a waiver on the performance criterion related to commercial bank credit based on the corrective action taken, and completion of the fifth PRGF review. We request disbursement of the sixth loan in the amount of SDR 11.455 million (20.6 percent of quota).
4. The government believes that the policies set forth in the attached MEFP will enable it to meet its program objectives, but is ready to take any other measures that might be necessary. The Central African Republic will, in accordance with Fund policy, consult with the Fund on the adoption of any measures that may be appropriate and before revising the policies set out in the attached MEFP. The sixth and last review (seventh disbursement) of the PRGF arrangement is expected to be completed no later than the end of June 2010.

5. The government intends to explore the possibility of a successor arrangement, possibly starting in July 2010.

6. The government intends to make the contents of this letter, the attached MEFP, the Technical Memorandum of Understanding (TMU), and the related staff report available to the public. Therefore, it authorizes the IMF to post these documents on its web site once the Executive Board has concluded the review.

7. We fully recognize that the Fund is appropriately concerned about safeguarding its resources and, in this regard, understand that it would not be in a position to complete this review unless related concerns are being addressed satisfactorily. To this end, we emphasize that the Central African authorities will work closely with the BEAC and fellow BEAC member countries to ensure the timely implementation of the remedial measures discussed with Fund staff as necessary to demonstrate satisfactory progress in resolving safeguards concerns at the BEAC. The BEAC has implemented the agreed initial actions; BEAC authorities are in close contact with Fund staff to discuss further measures designed to safeguard Fund and BEAC resources.

8. The government implemented one prior action before Executive Board consideration of our request for completion of the fifth review of the PRGF arrangement, namely the full payment of all government utility bills from ENERCA, SODECA, and SOCATEL received from the beginning of November 2008 through end-August 2009.

Sincerely yours,

_____/s/_____

Prof. Faustin Archange Touadéra
Prime Minister

_____/s/_____

Albert Besse
Minister of Finance and Budget

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

ATTACHMENT I
TRANSLATED FROM FRENCH

CENTRAL AFRICAN REPUBLIC
MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES, 2009–10

Bangui, November 18, 2009

I. INTRODUCTION

1. Economic conditions have improved noticeably since the government of the Central African Republic (C.A.R.) began implementing its medium-term macroeconomic and financial program in late 2006 with Fund support. Political and social stability has been strengthened as a result of the Inclusive Political Dialogue (IPD) held in December 2008. New expenditures related to the Demobilization, Disarmament and Reintegration (DDR) program have been initiated and should contribute to national reconciliation ahead of the general elections to be held in early 2010.
2. The approval by the Boards of Executive Directors of the Fund and World Bank of the completion point for the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in June 2009 has significantly improved debt sustainability. The total debt relief under the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI) amounted to around CFAF 560 billion in nominal terms (59 percent of GDP), a large part of which was provided upon reaching the completion point, allowing a reduction of our external debt to about CFAF 90 billion by the end of 2009. We are very grateful to the international community, including the IMF, for granting this debt relief, which allows us to make additional spending aiming at poverty reduction.
3. The global economic slowdown has seriously affected our economy. Our major exports dropped significantly, leading to the lowest economic growth since 2005 and shortfalls on government revenues. With support from the international community, we have stepped up our efforts to pursue strong policies and program implementation to stabilize our economy and create the basis for sustainable economic growth.
4. This memorandum presents the government's economic and financial policies until June 30, 2010. The measures and objectives of the program are consistent with the Poverty Reduction and Strategy Paper (PRSP) adopted on June 30, 2007, and the first annual report of the implementation of the PRSP adopted in early 2009, respectively, both after extensive consultations with major stakeholders. We are aware of our shortcomings toward reaching the Millennium Development Goals, which are compounded by the fact that financing is insufficient to meet our needs and that foreign aid has gone mainly to humanitarian assistance.

II. RECENT ECONOMIC PERFORMANCE AND POLICIES

A. Macroeconomic Performance and Program Implementation

5. Economic growth slowed further with GDP growing at an expected rate of only 2.0 percent in 2009, after 2.2 percent in 2008. The most important contribution to economic growth is expected from agriculture, which accounts for almost a third of GDP, whereas our export sectors are continuing to perform poorly under current world market conditions. Average inflation has fallen to 7.1 percent in September after reaching 9.3 percent in 2008 mainly thanks to food prices that decelerated, thus also providing welcome social relief to consumers. Year-on-year inflation in September declined to 1.7 percent, which provides evidence that inflation should decline to 4 percent on average in 2009.

6. Our two main export commodities were affected by a collapse in external demand: wood products and diamond exports dropped by 38 percent and 27 percent, respectively, in volume terms in the 12 months to July 2009. Sustained domestic economic activity in the primary sector, especially subsistence and animal farming, compensated somewhat for the negative external shocks thanks to the international community's support to this sector and improved security in the production areas. Credit to the private sector declined by 7 percent in June, in part reflecting weak activity in the forestry sector and the unwinding of stock building by oil importing companies. The banking system has not been directly affected by the global financial crisis, and the liquidity position of commercial banks appears intact. However, second round effects on major economic operators and repercussions on our banks cannot entirely be ruled out.

7. Macro-fiscal performance in the first half of 2009 was in line with the program. We met the performance criteria (PC) on total domestic revenue. Revenue from profits and property taxes was substantially higher than expected, whereas tax revenue on goods and services, including international trade taxes, was slightly below target, reflecting the effects of the economic crisis. We are well under way toward reaching our revenue target for the year, despite the adverse economic environment. We exceeded our target for the reduction of tax arrears by CFAF 0.8 billion, and we were able to clean up the stock of tax arrears, which included many claims that can no longer be recovered.

8. Thanks to our tight control on expenditures we met the PC on the domestic primary balance at end-June. We are aware that this result has also been achieved due to lower-than-programmed domestically-financed capital expenditure. However, we managed to increase spending in priority areas, notably health and education, and reached the related quantitative benchmark. There was a deviation on the PC on net claims of the commercial banking system on the government due to a miscommunication between the treasury and the central bank which led to a delayed transfer of funds from the treasury account to the commercial banks. As a corrective action, the liquidity commission has started providing weekly written recommendations to the treasury committee on the actions required to adhere to the PC on net commercial bank credit (in anticipation of the more comprehensive related structural benchmark for end-March 2010). Due to a technical problem related to the implementation of

Gesco, we are not yet in a position to calculate the stock of domestic expenditure arrears (measured as expenditures approved for payment that have not been paid for 60 days). Thus, we used the previous definition for this objective according to which expenditure arrears declined by CFAF 3.4 billion in the first semester of 2009, in line with the relevant quantitative benchmark.

B. Progress in Structural Reforms

9. The government has implemented important structural reform measures. The quarterly petroleum product pricing mechanism adopted on June 1, 2008, has contributed to strong revenue from the petroleum sector in the first half of 2009, ensuring pass-through to consumers of all costs, distribution margins, and taxes, including VAT at the regular rate. Moreover, we have created a difference in the margin for importation of petroleum products by river versus by road of CFAF 20 per liter to provide a greater incentive to import by river, which is much less costly for the budget and less environmentally risky. We applied the formula in January and in April 2009, and all subsidies but the one on kerosene transported by road were eliminated. In July 2009, we anticipated that not changing the existing price structure would not result in revenue losses. Calculations based on the methodology specified in the Technical Memorandum of Understanding (TMU) made subsequently for July 2009 revealed a small loss of fiscal revenue in the order of CFAF 36 million (0.004 percent of GDP). We recognize the importance of the principle of passing-through to consumers world oil price changes regularly and safeguarding our domestic tax revenues from petroleum products. In this spirit, in October 2009 we adjusted domestic fuel prices on kerosene by CFAF 50 per liter (thus eliminating any subsidy element on this product) and the price of fuel oil by CFAF 24 per liter. This resulted in an average increase of 1.3 percent. Moreover, we unified the price for kerosene, but we were not in a position to increase the price of gasoline as required by the formula, but the revenue loss for the month again was only CFAF 86 million (0.009 percent of GDP). Moreover, with the current excise structure we will be able to meet the annual target for petroleum revenues under the program. Considering that a criterion for meeting the structural benchmark on adjusting domestic fuel prices hinges on no net reduction of fiscal revenues, we believe that we have met the spirit of the relevant structural benchmark.

10. More progress has been made in revenue administration reform. We intend to meet the end-December 2009 structural benchmark related to improving the payment of VAT refund requests for reliable taxpayers. In this regard, the special VAT account with BEAC is being used exclusively for VAT refunds. We have nominated a director of the audit department and related personnel in June 2009 and the audit plan for 2010 will be adopted before end-2009. In the first semester of 2009, we audited 30 percent of large taxpayers and, with a delay of not more than 30 days, all stop-filers and all VAT declarations with a credit or zero balance. This has allowed us to achieve a non-filer rate of 5 percent, and we intend to maintain this rate for all of 2009. We interconnected the tax and customs administrations' information systems (SYSTEMIF and ASYCUDA++), thus observing the related structural benchmark. Furthermore, we have stepped up the training of staff and established a working

group to define mutual data exchange needs to use these systems widely and effectively. In order to increase effectiveness of our customs controls and operations, we have abolished the state agency CEMIFI and limited the activities of the private company SODIF to ex-post controls to avoid the duplication of collection and enforcement work. Changes to the VAT (Article 247 of the tax code) to make turnover the only criterion for whether taxpayers are subject to the VAT will be considered in the context of the 2010 budget law, as modifications in the context of the revised 2009 budget law were likely to be disruptive for taxpayers. In line with IMF TA recommendations, tax administration has been restructured through a revised segmentation of the Large Taxpayer Unit (LTU), the Medium Taxpayer Unit (MTU), and the Small Taxpayer Unit (STU).

11. In the area of public financial management (PFM), we are making important progress in the computerization of the expenditure chain with the extension of the Gesco system based on the new budget classification adopted in 2008. Firm instructions to limit the authority to sign conventions that financially commit the government were issued. We submitted to parliament the legal amendments to revise the 1988 law and decree on government guarantees and strengthen our legal framework for issuing such guarantees together with the revised 2009 budget law (end-September 2009 structural benchmark). However, parliament decided to amend the relevant legislation together with the 2010 budget and we will resubmit this legislation in this context. We have clarified our financial relations with commercial banks by signing new conventions between the government and each domestic commercial banks. These conventions consolidate past loans into one new loan with a lower interest rate, a grace period of 6 months, and 3-year to 3½-year maturities. All government receipts are deposited in the main treasury account at the central bank (BEAC) (end-June 2009 structural benchmark).

III. THE PROGRAM FOR 2009 AND 2010

12. Despite sustained growth in agricultural production, real GDP growth in 2009 is expected at 2 percent due to several negative shocks to the economy. Lower demand and good harvests are expected to reduce price pressures and result in a year-on-year inflation of minus 0.8 percent at end-2009. However, because of price increases in late 2008, average inflation in 2009 is expected to be higher at 3.7 percent. The trade sector remains under the effect of the external shocks. Total exports of goods are projected to fall by CFAF 12 billion to CFAF 52 billion in 2009, slightly below program. Imports remain compressed and are projected to fall by 5 percent in volume terms, which is CFAF 6 billion lower than programmed. The current account deficit is projected to fall to around 9 percent of GDP, 1 percentage point lower than in 2008 result mainly due to overall favorable developments in world oil prices, recovery of diamonds prices, and higher aid inflows. With significant additional inflows from donors toward the end of the year and the Special Drawing Rights (SDR) allocation from the Fund, the overall balance of payments is expected to improve as official foreign reserves are expected to rise to 5 months of import cover in 2009 from 3.3 months in 2008.

13. Our priorities for the remainder of 2009 and 2010 are to stabilize the economy and prepare the basis for reverting to a path of economic growth by consolidating our export sectors while preserving a prudent fiscal stance. Specifically, we will continue (i) improving our domestic revenue collection; (ii) consolidating domestic demand by maintaining budgeted expenditures, paying domestic arrears, and accelerating the implementation of expenditure programs related to the DDR process; (iii) paying all current government obligations and improving its financial standing; and (iv) maintaining the momentum in public financial management reforms. Moreover, we are working toward safeguarding the stability of our banking system.

A. Fiscal Policy for the Remainder of 2009

14. Domestic revenue in 2009 is projected to rise by 0.1 percentage points to 10.5 percent of GDP on the basis of the encouraging results of the first half of the year. In particular, the reforms of the petroleum sector taxation, VAT collection procedures, and more effective revenue administration are having positive effects. Nontax revenue will fall by 0.3 percent of GDP, mainly because one-off receipts in 2008 related to the sale of telecommunication licenses will not be repeated. The revised budget reflects the revenue projections in line with the updated program projections.

15. The revised budget, adopted in September, includes some additional expenditure for the peace process. We have decided to shift a substantial part of spending on the DDR to 2010, partly because of bottlenecks in implementation capacity. In 2009, we have allocated CFAF 2 billion for such spending, significantly less than our initial projection of CFAF 10 billion (1.1 percent of GDP); we are also spending the planned CFAF 1 billion to prepare for the 2010 elections, as expected in the program. We have allocated CFAF 56 million to repair damage caused by exceptional flooding of extended neighborhoods in Bangui in July. In addition, we received donor assistance outside the budget in relation to this natural catastrophe, and we are grateful for this spontaneous expression of international solidarity. We intend to put in place an effective program to reduce the impact of recurrent floods in Bangui. Given the delays incurred in capital budget execution, we are making every effort to avoid undue strains on our treasury at the end of the year.

16. In response to these recent developments, the domestic primary balance is substantially improved compared to program with a deficit of 0.4 percent of GDP. The available financing would allow for further repayment of arrears (1.4 percent of GDP) and reduction of the most onerous credits from commercial banks. Public debt should decline from 80 percent of GDP in 2008 to about 29 percent of GDP in 2009, mostly related to HIPC completion point debt relief. We will negotiate agreement on final debt relief with our bilateral creditors and will ensure comparable treatment for the debt renegotiations.

B. Macroeconomic Objectives for 2010

17. Growth is expected to revert to a more expansionary path in 2010, as the effects of the global economic crisis ebb and the electricity infrastructure is rehabilitated. Improved growth prospects at 3½ percent and lower inflation around 2.2 percent will be important to support the peace process and maintain political stability in the run-up to the 2010 elections. The current account deficit is expected to decline to around 7½ percent of GDP on account of higher aid inflows, and with moderate private sector inflows, the overall balance of payments will record a significant deficit and we expect to lose a limited amount of reserves in the absence of additional external support.

18. Fiscal policy will continue to support demand while raising our low tax revenue ratio. We intend to increase our tax revenue ratio by 0.3 percent of GDP through improved revenue administration; however, due to nonrecurring nontax revenue items the total revenue ratio is expected to remain unchanged at 10.5 percent of GDP. On the expenditure side, we will continue to unfreeze civil servant salaries and eliminate fuel subsidies. The overall level of primary current expenditures will rise by 0.9 percentage point of GDP, mainly due to a carry over of DDR expenditure from the previous year. We will continue to allocate more to health and education and less to wasteful subsidies. Social expenditures are expected to increase by at least 5 percent in real terms; domestically financed capital expenditures would be unchanged. The 2010 budget will include an allocation of CFAF 6 billion for the DDR, which will be disbursed in consultation with the DDR Monitoring Committee, as well as spending for the elections. The latter include contributions from the UN and the European Union (€4 million).

19. We intend to further improve the efficiency of our spending and have asked the World Bank to undertake a Public Expenditure Review, which is expected for early 2010. In this context, the government also intends to review defense expenditure with a view to improving the efficiency of this spending while safeguarding security. We expect to receive additional budget support from the European Union of CFAF 5 billion, which we will use to make additional repayments of social arrears (salary arrears, pensions, and scholarships) so as to increase the arrears clearance target to CFAF 20 billion in 2010.

20. As a result of shifting expenditure for the DDR from 2009 to 2010, the domestic primary deficit will rise by 0.8 percentage points to 1.2 percent of GDP in 2010. Budget-support grants are projected to increase by 0.7 percentage points to 1.9 percent of GDP, which will help to reduce arrears and finance poverty reducing spending. We intend to use part of the SDR 44 million (CFAF 30 billion) allocation received from the Fund to reduce expensive domestic bank debt and to reduce reliance on expensive market financing. This would provide us with further valuable savings on debt service that we intend to spend on our social programs. Total public sector debt would decline from 29 percent of GDP in 2009 to 25 percent of GDP in 2010.

C. Structural Reforms

21. The government will coordinate with the donors operating in C.A.R. to harmonize the structural reform program. We expect that the General Framework for Budget Support to the PRSP (CGAB-DSRP) agreed in October will improve the predictability of aid and facilitate administration of donor support. The donors participating in this process are the African Development Bank, the European Union, France, and the World Bank, with the Fund participating as an observer. The strategic goal of the harmonized program is to agree on a streamlined and better focused reform agenda and support it by technical assistance. We will work with the above donors on common programs for rapid adoption and implementation. Under this framework, we are preparing a reform program for public finances, with the financial support of the European Union.

Revenue administration reforms and tax policy

22. We continue to make the tax system work better. We have started levying VAT on all petroleum products in January 2009, and we will continue to increase excises on kerosene by some CFAF 40 per liter every quarter until we completely eliminate any residual subsidies and essentially equalize its excise with that of diesel, which is a close substitute for and often mixed with kerosene in transportation. As a result, the gross increase in petroleum-related resources for the government budget in 2009, including VAT, is projected at CFAF 13 billion. To facilitate the implementation of the quarterly petroleum product price adjustment mechanism, the price structure committee, which includes Ministry of Mining and Energy, Ministry of Finance and Budget, and the oil agency (A.S.R.P.), will provide price recommendations to the cabinet in line with the mechanism at the latest 5 calendar days before the end of a quarter. Finally, we will review the competitiveness of mining sector taxation with external assistance.

23. The emphasis of tax administration is audit selection, taxpayer registration, and VAT refund processing. We will continue to perform issue-oriented audits for nonfilers or VAT tax declarations with a negative VAT liability. Moreover, we intend to develop risk-based indicators to select large taxpayers for audit and those large taxpayers whose declarations are inconsistent with their import records. Moreover, we will incorporate large and medium taxpayers identified during the recent taxpayer census. We will step up security in granting the tax identification number (TIN) to ensure that each taxpayer is uniquely identified by this TIN. We will continue to pay VAT refund requests on a timely basis after verification (December 2009 structural benchmark). Moreover, we will require that all transactions between the government and large and medium taxpayers be made by bank transfer.

24. We intend to reinforce our policy and administrative efforts in the area of customs administration. Making good use of the ASYCUDA system and its connection with SYSTEMIF will help improve customs administration, and we intend to expand its use and capabilities forcefully in cooperation with our technical assistance partners. In addition, we will further increase the efficiency of customs administration by providing adequate

resources by making sure the customs fee for computerization is fully available for the use of the customs IT system. In this context, we will transfer the capacity for the development of ASYCUDA to customs, and we will extend ASYCUDA to our main offices and the external inspection company BIVAC. We will also step up efforts to train personnel in various priority areas, and ensure that the customs service has operational independence and independence in human resource management. We will work toward facilitating transit procedures between the Douala port and the final destination. In this context, we request a technical assistance mission to assess the effectiveness of our bureau in Douala. We are striving to better control fraud on transit and re-exports by introducing appropriate administrative controls to ensure that exports are effectively consumed abroad. The customs and tax departments will undertake detailed assessments of the operational effectiveness and financial performance of the private company SODIF on a quarterly basis. This will provide the basis for determining in the second quarter of 2010 how the government's relationship with the company should be defined.

25. Customs exemptions will be reduced further by reviewing existing conventions with a view to eliminating discretionary exemptions altogether and to limiting statutory exemptions only to those with a clear economic rationale. Thus, we expect to reduce the total amount of exemptions from CFAF 11 billion in 2008 to CFAF 9 billion in 2009 (structural benchmark end-December 2009). Moreover, we will study eliminating customs exemptions for the government. The idea would be to increase the budgetary allocations of the respective ministries to pay for the duties in the hope that this would simplify the work of the customs administration and reduce abuse of exemption privileges.

26. We have received technical assistance from the IMF's Fiscal Affairs Department in May 2009, which proceeded to a comprehensive review of our tax administration and made recommendations for operational and institutional reforms. We will prepare and publish a detailed reform strategy for revenue administration, based on the Fund's diagnosis by end-March 2010 (structural benchmark), and we have requested follow-up technical assistance from FAD and AFRITAC for this purpose. In the area of tax documentation, we have compiled the relevant legislation into a single tax code, which is updated, and will be published on the internet together with the relevant regulations issued by the tax administration. We hope to receive technical assistance from the Fund for a comprehensive tax policy reform in early 2010 so as to implement the new tax code with the 2012 budget. The objective of the reform would be to further reduce exemptions and nuisance taxes, streamlining tax payment procedures, and shifting from trade taxes to domestic consumption and income taxation, with a view to enhancing revenue and administrative efficiency, and improving the investment climate. Already in preparation for this reform, we requested technical assistance from the European Union.

Public financial and debt management reforms

27. The government's priorities for public financial management reforms continue to be to (i) strengthen liquidity management; (ii) improve expenditure tracking and budget

monitoring; (iii) enhance debt management; and (iv) increase fiscal transparency. To this end, we intend to take the following steps:

- We will strengthen the work of the liquidity commission. The commission will prepare rolling budget projections of expenditure commitments, revenues, and debt service requirements for the forthcoming week, month, quarter, and remainder of the year. To improve the work of the commission, we will conduct a review of the commission and make recommendations to enhance its role. Specifically, at the latest starting in January 2010, we will require weekly written recommendations on adjusting expenditure commitments in line with the rolling forecasts. These recommendations will be presented in a timely manner to the treasury committee, which is in charge of strategic policy decisions related to budget implementation (structural benchmark, end-March 2010).
- We are reestablishing the treasury single account (TSA). We have reduced treasury accounts at commercial banks to one per bank (with exception of two transfer accounts and donor-mandated accounts required for project management), which is the minimum required to maintain transactions through banks, namely wage payments. We are confident that the TSA will be operational by end-December 2009 (structural benchmark). We have received technical assistance from the Fund to operate the remaining treasury commercial bank accounts on a zero-balance basis. The monthly reconciliation of government accounts between the treasury and the central bank already ensures that data regarding the net treasury position are consistent. We will work to extend payments by bank transfers to pensioners and regular suppliers.
- We are making important progress in the computerization of the expenditure chain, and we have now secured financing from the World Bank for the extension of the Gesco system, the compilation of the final accounts for 2008 and the corresponding budget execution law. With respect to Gesco, the World Bank is financing its finalization and its integration with other information management systems. We expect to fully integrate all stages of the expenditure process into the Gesco system (end-December 2009 structural benchmark). This will require implementing a feedback mechanism between the budget department and treasury computer systems to link payments to the corresponding budget categories so as to allow detailed and comprehensive reports on budget execution. In addition, Gesco will include all expenditures without prior commitment or payment orders (for example those for debt service, salaries, travel advances, utility bills, and government petroleum product consumption), budget agencies' expenditures financed by own resources, and other payments not following the standard expenditure procedures. We will measure delays in processing expenditure at all stages after commitment. A further extension of Gesco, which will include the recording of transactions by the revenue agencies, is planned for mid-2010. We will further link to Gesco the debt management system (SYGADE) and the simplified system for wage management.
- We continue to work on recording all verified domestic arrears from previous years in the computerized debt database of the debt department on an arrear by arrear basis (structural benchmark, end-December 2009). We will also create an inventory of

public sector cross debt, establish a schedule for the clearance of cross debt between State-Owned Enterprises (SOEs) and local and central governments (end-March 2010 structural benchmark). As part of the benchmark, all the debts of SOEs will be recorded in the government debt database to have readily accessible information on total public sector debt. The actions under the benchmark are an essential step to put financial relations within the public sector on a transparent and sound basis.

- Effective implementation of our financial strategy including arrears clearance will require issuance of government securities in the nascent regional market. In 2010, we expect to place only a limited amount to test the market. In the meantime, we will accelerate our preparations for market access and improve the credibility of our financial management. We expect to receive Fund technical assistance in this process in late 2009/early 2010.
- We have started publishing quarterly budget execution reports to increase transparency and better communicate government fiscal policies. In addition, we have published the revised 2009 budget and intend to publish the 2010 budget after its adoption by parliament.
- We intend to complete the preparation of the 2008 budget execution law before end-2009, and to start applying the new chart of accounts from the beginning of 2010 by (i) customizing the Gesco system, and (ii) conducting a series of tests before the final transfer into Gesco.

Banking system, public utilities, and municipalities

28. There is a need to improve the prudential ratios of local commercial banks. Following COBAC's decision to set the minimum capital requirements of commercial banks at CFAF 10 billion, the four local commercial banks have to raise their capital. The government has minority participations in three of the four commercial banks. Our preferred approach is not to participate in the capital increase, but should there be a need to participate we would do so only if there is at least one fit and proper major strategic investor envisioned for the bank and, if required, a restructuring strategy approved by COBAC is in place. If necessary, the government would recapitalize by issuing a long-term interest bearing government bond, and this contingency will be reflected in the 2010 budget. It is expected, that the government's contribution to the recapitalization would be less than CFAF 4 billion (0.4 percent of GDP). Moreover, the government's strategy to reduce borrowing from commercial banks will help them meet the regulation on exposure to a single customer, which some banks had not respected due to their government loans.

29. We will continue to improve the financial performance of the public utility companies. The combined collection ratio (cash collections divided by amount billed) for the three major utility companies (electricity, water, and telecommunications) was 73 percent in the quarter ending in June, up from 67 percent at end-2008, thus narrowly missing the relevant quantitative benchmark, mainly because of the nonpayment of government utility bills during that period. We continue to target a gradual increase of 15 percentage points during 2009 (quantitative benchmark). Full payment of current utility bills by the

government is an essential element of our strategy to improve the financial and overall performance of utility companies and will help achieve this improvement (quantitative benchmark). To this end, as a prior action, we have paid all utility bills that were submitted to the government from November 2008 through end-August 2009 in the amount of CFAF 1.2 billion. The improvement of the financial situation of the public utility companies will enable them to repay their tax arrears. The precise repayment of these tax arrears will be determined in the context of the public sector cross debts clearance schedule.

30. Securitizing and increasing electricity supply is essential for growth. For ENERCA's generating plant in Boali, our main hydro-generation facility, we are benefiting from technical and financial support from the World Bank (US\$10 million) and the French Development Agency (€4.2 million) for rehabilitation of the system and maintenance of the currently installed capacity of 18 megawatts of electricity. We have signed an agreement with the Chinese authorities to rebuild our electricity generating capacity including, in the short run, the supply of two turbines for Boali III, which would increase electricity production by 10 megawatts. This would solve the short-term supply problems and produce large economic benefits since electricity is currently only provided about 16 hours per day, interrupted by rolling black-outs. This project will be financed by grants and should start its implementation in 2010.

31. We also envisage normalizing our financial relations with the municipality of Bangui. The central government will clear its debt to the municipality by paying ENERCA directly for municipality arrears. We will continue to fully transfer any shared revenues and disburse the regular transfers to the municipality of Bangui. We intend to clarify the assignment of the responsibility for paying the public lighting in Bangui based on the results of a study expected for early 2010.

D. Program Monitoring

32. The program will be monitored through biannual reviews of quantitative performance criteria (PCs) for end-December 2009 (Table I.1), and structural benchmarks for 2009/10 (Table I.2). Detailed definitions and reporting requirements for all quantitative PCs and structural conditions are contained in the accompanying Technical Memorandum of Understanding (TMU, Attachment II). The government will make available to Fund staff all core data, appropriately reconciled, on a regular and timely basis, as specified in the TMU.

Table I.1. Central African Republic: Quantitative Performance Criteria and Benchmarks under the PRGF Arrangement, December 2008 - December 2009

(billions of CFA francs; cumulative from December 31, 2008 for 2009; ceilings, unless otherwise indicated)

	End-Dec. 2008	End-Jun. 2009		End-Sep. 2009	End-Dec. 2009		
	Outcome	Performance Criteria		Benchmark	Performance Criteria		Proj. ¹
		Program	Prel.	Program	Program	Revised program ¹	
Performance criteria							
Floor on total government revenue ²	92.5	47.6	53.3	73.5	98.1	97.9	98.9
Floor on domestic primary balance ³	0.7	1.5	12.3	-1.6	-9.7	-4.6	-3.6
Change in net claims of the commercial banking system on the government, excluding bonds issued on the regional market	6.9	-2.6	0.6	-7.9	-5.0	0.9	-0.1
New nonconcessional external debt ^{4,5}	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation of government external payments arrears ⁵	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets							
NPV of external debt	336	114	111	111
Floor on poverty-related spending ⁶	19.7	10.0	11.1	15.0	21.0	21.0	21.0
Floor on reduction in domestic payments arrears	10.5	1.0	3.3	6.0	9.0	12.1	13.1
Net accumulation of tax arrears	2.1	0.0	-0.8	0.0	0.0	0.0	0.0
Floor on cash collections of utility companies (in percent)	67.4	73.4	78.5	77.4	82.4	82.4	82.4
Floor on government payment of utility bills (in percent)	...	98.0	17.8	98.0	98.0	98.0	98.0
Memorandum items:							
Projected grants for budget support	12.6	6.8	4.5	14.2	17.2	11.6	11.6
Projected bonds issued in the regional market	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Of which:</i> held by domestic commercial banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maximum adjustor for government net claims on commercial banks in case of grants shortfalls	...	5.0	...	6.0	6.0	6.0	6.0
External financing without project loan disbursement	5.8	3.9	1.4	6.3	7.9	-0.4	-0.4
Repayments to oil companies and on commercial loans ⁷	...	6.1	2.0	8.1	10.1	9.9	9.9

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

¹ The difference between the revised program column and the projections column is explained by a margin, if applicable.

² Domestic revenue, which excludes foreign grants and divestiture receipts (see the Technical Memorandum of Understanding, TMU, for more details).

³ The domestic primary balance (cash basis) is defined as the difference between government domestic revenue and government total expenditure, less all interest payments and externally-financed capital expenditures.

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

⁵ These performance criteria will be monitored continuously.

⁶ Total spending on health and education including wages and salaries and goods and services.

⁷ Debt owed to oil companies and loan covenants with financial groups domiciliated in the CEMAC, classified as nonbanks.

Table I.2. Central African Republic: Structural Conditionality, 2009–10

Measure	Macroeconomic Rationale	Timeline
Prior Action		
Pay all government utility bills from ENERCA, SODECA, and SOCATEL received from the beginning of November 2008 through end-August 2009.	Improve the financial performance of the public utility companies.	Implemented.
Structural Benchmarks		
REVENUE ADMINISTRATION AND TAX POLICY		
Continue applying the automatic quarterly petroleum product pricing formula that ensures full pass-through to the consumer of all costs, distribution margins, VAT, and a specific excise by product. The formula includes a timetable for petroleum taxation.	Protect the budget from risks of fluctuating petroleum prices; create room for measures to mitigate the social impact of petroleum price changes.	Continuous.
For taxpayers that demand VAT refund requests, verify requests within 30 days, pay 50 percent of the verified amount within 30 days, and the remainder after 90 days.	Make exports more competitive by allowing zero rating of VAT liabilities in line with international best practice.	End-December 2009
Reduce customs exemptions from CFAF 11 billion in 2008 to CFAF 9 billion in 2009.	Enhance revenue-generation potential.	End-December 2009
Publish a detailed reform strategy for the revenue administration, based on the diagnosis of reform needs of the Tax Department.	Modernize and enhance effectiveness of tax administration to increase revenue and taxpayer services.	End-March 2010
PUBLIC FINANCIAL MANAGEMENT		
Implement a treasury single account (TSA).	Reduce financing costs for government and increase transparency of government operations.	End-December 2009
Finalize the implementation of the government financial management system by fully applying Gesco to all stages of the expenditure process from commitment to payment.	Improve fiscal control and avoid arrears.	End-December 2009
Review the work of the liquidity commission and require it to prepare rolling budget projections. Prepare detailed weekly recommendations based on rolling projections of revenues, financing and expenditures.	Allow the liquidity commission to play a permanent leading policy-setting role; enable it to respond quickly and adjust flexibly to changes in the fiscal position.	End-March 2010
DEBT MANAGEMENT		
Integrate all domestic arrears from previous years in the computerized debt database of the debt department.	Enhance capacity to manage domestic debt.	End-December 2009
Create an inventory of all cross-debts between SOEs and local and central governments and among SOEs, establish a schedule for the clearance of cross-debts, and include public enterprise debts into the debt database.	Facilitate the operation of SOEs on purely commercial terms Extend centralized debt management to all public sector debt.	End-March 2010

ATTACHMENT II
TRANSLATED FROM FRENCH

CENTRAL AFRICAN REPUBLIC
TECHNICAL MEMORANDUM OF UNDERSTANDING

Bangui, November 18, 2009

1. This Technical Memorandum of Understanding describes the definitions that are intended to clarify the measurement of the quantitative performance criteria and indicators in Table 1 of the Memorandum of Economic and Financial Policies, November 2009, attached to the authorities' Letter of Intent. It also specifies the periodicity and deadlines for transmission of data to the staff of the International Monetary Fund (IMF) for program monitoring purposes. Unless otherwise specified, all 2009 quantitative performance criteria and indicative targets will be evaluated in terms of cumulative flows from December 31, 2008.

A. Provision of Data to the Fund

2. Data with respect to all variables subject to performance criteria and indicative targets will be provided to Fund staff on a regular basis—with the data and timing indicated in Table 1—including any revisions, which will be transmitted in a timely manner. In addition, the authorities will consult with IMF staff on any information and data that become available that are relevant for assessing or monitoring performance against the program's objectives but are not specifically defined in this memorandum.

B. Definitions

3. Unless otherwise indicated, the **government** is defined as the central government of the Central African Republic (C.A.R.) and does not include local governments, the central bank, or any public entity with autonomous legal personality (i.e., wholly or partially owned state enterprises) not currently covered by the consolidated government financial operations table (*Tableau des opérations financières de l'État*—TOFE).

4. **Government expenditure** on a commitment (*engagement*) basis (except for interest payments, which are on a due basis) includes all earmarked spending, treasury operations, the domestic counterparts to foreign-financed projects, and offsetting operations. Poverty-related spending on health and education will be reported from the functional classification of government expenditure. Starting in 2009, detailed government expenditure in the TOFE will be reported on a commitment (*engagement*) basis, and this information will be complemented not later than January 2010 by the change in the aggregate stock of expenditures committed without payment order (*dépenses engagées non-ordonnées*) and the change in the aggregate stock of expenditures with payment orders not paid (*dépenses*

ordonnancées non-payées), which would be divided into those younger than 60 days and those older than 60 days.

5. For the purposes of this memorandum, the definitions of “debt” and “concessional borrowing” are as follows:

- The term “debt” has the meaning set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Executive Board Decision No. 12274–00/85, August 24, 2000) but also to commitments contracted or guaranteed for which value has not been received. For purposes of these guidelines, the term “debt” is understood to mean a current, that is, 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, that is, 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, that is, contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and (iii) leases, that is, arrangements under which property is provided that the lessee has the right to use for one or more specified periods 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 the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments that cover the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

C. Quantitative Performance Criteria

Government domestic revenue (floor)

6. **Government domestic revenue** is as reported in the TOFE, and it includes offsetting operations in revenue and current-period expenditure—between the government and all suppliers of goods and services—excluding foreign grants and divestiture receipts. Government revenue includes all tax and nontax revenue, as well as earmarked revenue, checks for project-related customs duties, and withholdings from civil service wages and salaries actually paid.

Domestic primary fiscal balance (floor)

7. The **domestic primary fiscal balance**, on a cash basis, is defined as the difference between **government domestic revenue** and **government expenditure**, excluding all interest payments and externally financed capital expenditure. Starting in 2009, the domestic primary balance will be measured on a commitment basis (*base engagement*). The **domestic primary fiscal balance** will be calculated from above the line with the data provided in the TOFE.

Adjuster

8. The floor on the domestic primary fiscal balance will be adjusted downward for any excess in foreign budget support grants relative to program projections.

Change of net claims of the commercial banking system on the government (ceiling)

9. The end-of-period **stock of net claims of the commercial banking system on the government (net of purchases of government securities)** is defined as the difference between deposits held by the government in commercial banks and outstanding loans and overdrafts as reported in the monetary survey minus commercial bank purchases of government securities.

Adjuster

10. The ceiling on the change of net claims of the commercial banking system on the government (net of purchases of government securities) will be:

- i. increased by 100 percent of any cumulative shortfalls in external budget support grants compared to program projections up to the limit specified in Table 1 of the MEFP;
- ii. decreased by 57 percent of regional bond issuances;
- iii. decreased (increased) by 100 percent of any cumulative excess (shortfall) compared to program projections in external financing (without project loan disbursements); and
- iv. decreased (increased) by 100 percent of any cumulative shortfall (excess) repayments of debt to domestic petroleum companies and/or CEMAC-based commercial banks (for borrowing before December 31, 2008).

Nonconcessional external debt or guarantees (ceiling, continuous)

11. The performance criterion on the contracting of **new nonconcessional external debt** applies to both short- (original maturity of one year or less) and medium- and long-term (original maturity of more than one year) external debt contracted or guaranteed by the government. Purchases from the IMF are excluded from this limit.

12. Loan concessionality is assessed on the basis of the commercial interest reference rates (CIRRs) established by the Organization for Economic Cooperation and Development

(OECD). A loan is said to be on concessional terms if, on the date the contract is signed, the ratio of the present value of the loan, calculated on the basis of the reference interest rates, to its nominal value is less than 65 percent (that is, a grant element of at least 35 percent, which does not apply to refinancing operations). For debts with a maturity exceeding 15 years, the 10-year CIRR published by the OECD is used to calculate the grant element. For shorter maturities, the 6-month market reference rate is used. To both the 10-year and 6-month averages of the reference rate, the following margins will be added 0.75 percent for repayment periods of less than 15 years; 1 percent for 15–19 years; 1.15 percent for 20–29 years; and 1.25 percent for 30 years or more.

13. The concept of government for the purpose of the indicator on external debt includes government as defined in paragraph 3, administrative public institutions, public enterprises authorized to contract, guarantee, or accommodate nonconcessional borrowing, scientific and technical public institutions, professional public institutions, industrial and commercial public institutions, and local governments.

External payment arrears (ceiling, continuous)

14. **External payment arrears** are deemed to accrue when undisputed interest or amortization payments of the government are not made within the terms of the contract or in conformity with any future deferral agreed with the Paris Club or other bilateral and commercial creditors.

D. Structural Benchmarks

Automatic petroleum product pricing formula (continuous structural benchmark)

15. The automatic petroleum product pricing formula is designed to ensure full pass-through to the consumer of all costs, distribution margins, a minimum specific excise inclusive of customs duties by product, and VAT at the regular rate.

- The minimum retail price for gasoline (*super*), kerosene (*pétrole lampant*), diesel (*gasoil*), and fuel oil (*fuel 1%*) will be calculated by using the price structure of petroleum products transported by river through the Democratic Republic of the Congo by applying the specific excise as shown in Table 2.
- The formula will be calculated at the end of each quarter, using the average f.o.b. price for the previous 90 days for each product (see Table 2), and this retail price will apply for the 3 months of the next quarter.
- The formula adds all costs, distribution margins, a specific excise by product, and VAT. Thus, the minimum retail price will be the sum of (i) the f.o.b. import price, (ii) all costs and margins, (iii) the minimum specific excise, and (iv) VAT, which is applied at the regular rate to the sum of (i)–(iii).
- The minimum specific excise is defined to include the following items:
 - (i) *droit de douane*;

- (ii) *taxe communautaire d'intégration*;
 - (iii) *redevance d'usage routier*;
 - (iv) *redevance équipement informatique finances*;
 - (v) C.C.I.;
 - (vi) *constitution du stock de sécurité*;
 - (vii) *financement extension capacités de stockage*;
 - (viii) *péréquation sur le transport*;
 - (ix) *redevance ASRP*;
 - (x) *contrôle qualité et quantité des produits*, and
 - (xi) *soutien ou reversement de l'État*, which was previously called negative or positive TUPP, as the residual.
- In January 2010, the program minimum excises for gasoline, diesel, and fuel oil will be adjusted by the inflation rate to safeguard government revenue in real terms (Table 2). The inflation rate to be used will be the November 2009 12-month CPI. The programmed excises were specified in the TMU attached in the Letter of Intent dated June 5, 2009 as follows:
 - 249.2 CFAF per liter for gasoline,
 - 175.2 CFAF per liter for diesel, and
 - 73.1 CFAF per liter for fuel oil.
 - Should one or more actual fuel excises as defined in the preceding bullet fall below the minimum excise specified in Table 2 but the projected excise revenue for all fuel products for the relevant month exceeds the monthly program target, then for program purposes, the continuous SB on the automatic adjustment would be considered met.
 - The same amount of VAT will be charged for petroleum products imported by road via Cameroon or by river via Kinshasa because the retail price is the same; the specific excise will be adjusted to yield the same final price as specified above.
 - The retail price for each product would remain fixed for the quarter; however, the price structure would be issued on a monthly basis with the excise adjusting as a function of the changes in other costs. The VAT would remain unchanged.

E. Prior Action

Payment of government utility bills

16. A prior action for the Fifth Review under PRGF arrangement the payment of all utilities bills submitted to the government by ENERCA, SODECA, and SOCATTEL from November 1, 2008 through August 31, 2009. In the case of disputes about the validity of bills, they will have to be settled to all involved parties' satisfaction. A letter of confirmation regarding the full payment of all utility bills submitted during this period signed by the Ministry of Finance and all 3 utility companies will serve as evidence for the prior action.

F. Quantitative Benchmarks

Net present value of external debt (ceiling)

17. The NPV of external debt is estimated using the IMF's external debt sustainability analysis template for low-income countries.

Reduction in domestic payments arrears (floor)

18. The reduction in domestic payment arrears measures the change in the stock of total arrears during the period. Thus, a repayment of existing arrears reduces the stock of arrears whereas the accumulation of new arrears adds to the stock. For purposes of the program new arrears are defined on a payment order basis, i.e., as an expenditure for which a payment order has been issued (*dépense ordonnancée*), that has not been paid after 60 days. It is expected that data on the stock of arrears measured according to this definition becomes available for the assessment of the December 2009. Should there be a delay in the availability of data, the payment of existing arrears will be used as in previous reviews.

Adjuster

19. The floor on the reduction in domestic payments arrears will be increased by 29 percent of the regional bond issuance.

Net accumulation of tax arrears (ceiling)

20. Net accumulation of tax arrears is defined as the difference in the stock of tax arrears (excluding any amount in litigation) during the period plus any write-offs during that period.

Poverty-related spending (floor)

21. Poverty-related spending comprises spending on the following sectors: education, health, rural development, and social affairs, both spending for the current year and arrears repayment related to these sectors.

Government payment of utility bills (floor, cumulative)

22. The quantitative benchmark applies to utility bills issued by public enterprises Enerca, Socatel, and Sodeca, and is deemed met when at least 98 percent of the combined utility bills issued by these companies are paid within 60 days of the bill issue date. For example, the benchmark for end-March 2009 would measure payments on utility bills from January to March 2009 divided by the utility bills issued November 2008 through January 2009. The benchmark for end-June would measure the payments on utility bills from January to June divided by the utility bills issued November through April. Cash payments by the government will be required for all bills issued after August 31, 2009.

Collection ratio of utility companies (floor, cumulative)

23. The target is measured as the cumulative ratio of total period-t cash collections to total bills issued during the period with a two-month lag. The target is defined jointly for ENERCA, SOCATEL, and SODECA. For example, the target for the third quarter would be the sum of cash collections for the three companies for July–September, 2009, divided by the value of bills issued May–July 2009. The benchmark for end-December would measure the sum of cash collections from January to December 2009 divided by the value of bills issued November 2008 through October 2009.

Table 1. Central African Republic: Data Provision under the PRGF Arrangement

Data Description	Reporting Lag
Quarterly evaluation report of quantitative and structural measures (particularly regarding structural conditionality, see Table 2 of the MEFP), including supporting documentation.	Four weeks after each quarter's end.
Monthly monetary survey and central bank and commercial bank accounts.	Four weeks after the end of each month.
Table on monthly treasury operations.	Four weeks after the end of each quarter.
Government budget operations (TOFE).	Four weeks after the end of each month.
End-of-period stock of domestic arrears on goods and services and wages, including unpaid pensions and bonuses.	Four weeks after the end of each month.
End-of-period stock of external arrears.	Four weeks after the end of each month.
Breakdown of expenditures recorded in the TOFE (goods and services, wages, interest, etc.).	Four weeks after the end of each quarter.
Summary report on actual spending in priority sectors, including health, education, and security.	Four weeks after the end of each quarter.
Breakdown of revenue by institution and economic classification.	Four weeks after the end of each quarter.
Revenues and expenditures offset against each other without cash payment (by expenditure and revenue type).	Four weeks after the end of each quarter.
Breakdown of external debt service and arrears, by interest and principal and by principal creditor.	Four weeks after the end of each month.
Amount of new nonconcessional and concessional external debt contracted or guaranteed by the government.	Four weeks after the end of each month.
Actual disbursements of project and program external financial assistance, and external debt relief granted by external creditors (including date, amount, and donor).	Four weeks after the end of each quarter.
Stock of tax arrears and amount recovered.	Four weeks after the end of each quarter.
Indicators to assess overall economic trends, such as the consumer price index, and oil product sales.	Four weeks after the end of each month.
Import/export flows (in volume and value), activity in the forestry and mining sector.	Four weeks after the end of each quarter.
A monthly report on the structure of petroleum prices.	One week after the end of each month.

Table 2. Central African Republic: Minimum Excises, Estimated VAT and Minimum Retail Prices of Petroleum Products, 2009–10

	2009	2010	2010	2010	2010
	Oct.	Jan. ¹	Apr.	Jul.	Oct.
	(CFAF per liter)				
Fob price (via Kinshasa) ² (1)					
Gasoline (<i>Super</i>)	245.5	249.5	256.1	260.9	265.0
Kerosene (<i>Pétrole</i>)	242.3	246.1	252.7	257.4	261.3
Diesel (<i>Gasoil</i>)	242.1	245.9	253.0	257.6	261.7
Fuel oil (<i>Fuel 1%</i>)	204.0	207.1	212.9	216.6	220.0
Distribution margin ² (2)					
Gasoline (<i>Super</i>)	208.6	208.9	209.3	209.6	209.8
Kerosene (<i>Pétrole</i>)	205.6	205.8	206.1	206.3	206.5
Diesel (<i>Gasoil</i>)	211.0	211.2	211.5	211.8	212.0
Fuel oil (<i>Fuel 1%</i>)	217.2	217.4	217.6	217.8	218.0
Minimum excises including customs revenues (via Kinshasa) (3)					
Gasoline (<i>Super</i>)	201.3	251.7	251.7	251.7	251.7
Kerosene (<i>Pétrole</i>)	39.5	98.0	156.4	156.4	156.4
Diesel (<i>Gasoil</i>)	177.1	177.0	177.0	177.0	177.0
Fuel oil (<i>Fuel 1%</i>)	61.9	73.8	73.8	73.8	73.8
VAT (estimate) ² (4)					
Gasoline (<i>Super</i>)	124.5	134.9	136.3	137.2	138.0
Kerosene (<i>Pétrole</i>)	92.6	104.5	116.9	117.8	118.6
Diesel (<i>Gasoil</i>)	119.7	120.5	121.9	122.8	123.6
Fuel oil (<i>Fuel 1%</i>)	91.8	94.7	95.8	96.6	97.2
Minimum retail price (estimate) ² (5) = (1)+(2)+(3)+(4)					
Gasoline (<i>Super</i>)	780.0	845.0	853.4	859.4	864.5
Kerosene (<i>Pétrole</i>)	580.0	654.4	732.1	737.9	742.9
Diesel (<i>Gasoil</i>)	750.0	754.6	763.4	769.1	774.2
Fuel oil (<i>Fuel 1%</i>)	575.0	592.9	600.1	604.8	609.0
<i>Memorandum items:</i>					
Minimum excises for first month of the quarter (CFAF million)	---	884.9	1486.8	983.4	1022.0
WEO oil price (\$/barrel)	72.5	74.5	76.0	77.3	78.3

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

¹ Minimum excises will be increased by the November 2009 12-month CPI change.

² Estimates based on program projections for fob import prices based on a 90-day moving average.