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CENTRAL AFRICAN REPUBLIC

February 2021

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; STAFF STATEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE CENTRAL AFRICAN REPUBLIC

In the context of the First and Second Reviews Under the Extended Credit Facility Arrangement and Request for Waivers of Nonobservance of Performance Criteria, 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 January 12, 2021, following discussions that ended on October 9 2020 with the officials of the Central African Republic on economic developments and policies underpinning the IMF disbursement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 21, 2020.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association (IDA).
- A **Supplementary Information on Libya**
- A **Statement by the Staff Representative** for the Central African Republic.
- 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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International Monetary Fund
Washington, D.C.

IMF Executive Board Completes First and Second Reviews of the Central African Republic's Arrangement Under the Extended Credit Facility and Approves US$ 34.4 Million Disbursement

FOR IMMEDIATE RELEASE

- *Completion of the reviews enables an immediate disbursement of US$ 34.4 million)*
- *The Covid-19 pandemic has had a substantial impact on C.A.R.'s economy but appears now somewhat contained*
- *Program implementation has improved over recent months, during which the authorities focused on ensuring that emergency donor financing is efficiently and transparently used to fight the pandemic.*

Washington, DC – January 12, 2021: The Executive Board of the International Monetary Fund (IMF) today completed the first and second reviews of the Central African Republic's (CAR) economic and financial program supported by an Extended Credit Facility (ECF) arrangement. Completion of the reviews enables the disbursement of SDR 23.87 million, about US$ 34.4million), bringing total disbursements under the arrangement to SDR 35.8 million, about US$ 51.6million.

In completing the two reviews, the Executive Board also approved the authorities' request for waiver of non-observance of performance criteria.

CAR's ECF arrangement was originally approved by the Executive Board on December 20, 2019 for SDR 83.55 million, about US$ 115.1 million, or 75 percent of the Central African Republic's quota in the Fund) – See Press Release No 19/484.

The IMF-supported program aims to maintain macroeconomic stability, strengthen administrative capacity, governance and the business climate, and address the country's protracted balance of payment needs.

Following the Executive Board discussion on CAR, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

"The Covid-19 pandemic has had a substantial impact on C.A.R.'s economy but appears to be somewhat contained. Performance under the ECF arrangement has been adversely affected by the pandemic and early policy and reform shortfalls. Program implementation has, however, improved over recent months, during which the authorities focused on ensuring that emergency donor financing is efficiently and transparently used to fight the pandemic and alleviate its impact on the most vulnerable. Substantial progress was also made in implementing structural reforms.

"Looking ahead, the authorities will pursue their efforts to support the economic recovery and make progress toward poverty reduction. They aim to prioritize social spending, improve domestic revenue mobilization, consolidate the single treasury account, and enhance public sector supervision. They will also implement reforms to strengthen governance and the business climate, including through the submission to parliament of a new anti-corruption law and the publication of public procurement contracts.

“Continued financial and technical support from development partners remains critical to the program’s success. Given its high risk of debt distress and limited revenue base, C.A.R. will have to continue to rely heavily on grant financing for its most pressing spending needs.

“C.A.R.’s program will continue to be supported by implementation of policies and reforms by the CEMAC regional institutions, which notably aim at supporting an increase in regional net foreign assets.”

Central African Republic: Selected Economic and Financial Indicators, 2018-2025

	2018		2019			2020			2021	2022	2023	2024	2025
	Est.	ECF	Est.	ECF	RCF	Proj.	ECF	RCF	Proj.				Proj.
					(Annual percentage change; unless otherwise indicated)								
National income and prices													
GDP at constant prices	3.8	4.5	3.0	5.0	1.0	0.0	5.0	4.0	3.5	5.0	5.0	5.0	5.0
GDP per capita at constant prices	2.3	2.8	1.3	3.2	-0.7	-1.8	3.1	2.0	1.5	3.0	3.0	3.0	3.0
GDP at current prices	5.2	7.4	5.4	7.6	3.4	1.9	7.6	6.6	6.1	7.7	7.6	7.6	7.6
GDP deflator	1.3	2.8	2.4	2.5	2.3	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5
CPI (annual average)	1.6	3.2	2.7	2.5	1.2	2.1	2.5	2.5	1.8	2.5	2.5	2.5	2.5
CPI (end-of-period)	4.6	-0.3	-2.8	2.5	3.5	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Money and credit													
Broad money	14.0	3.2	8.9	14.9	12.3	7.5	5.8	0.8	10.3	4.0	4.7	6.6	7.9
Credit to the economy	11.5	3.0	-1.0	5.0	-2.0	-3.0	7.0	7.0	5.0	8.0	8.0	8.0	8.0
External sector													
Export volume of goods	10.3	-6.5	-6.7	14.9	-9.9	-3.1	6.0	11.5	8.2	10.7	12.6	10.0	8.8
Import volume of goods	-0.8	10.4	11.3	7.8	-1.3	-0.8	4.0	4.5	0.1	4.6	6.1	5.8	6.6
Terms of trade	-12.5	12.7	14.7	3.5	-0.1	-19.6	2.2	5.9	5.3	2.4	3.0	1.2	3.8
						(Percent of GDP; unless otherwise indicated)							
Gross national savings	8.4	10.5	9.7	10.6	10.5	11.1	11.0	10.6	9.7	10.6	11.3	12.0	12.6
Of which: current official transfers	3.0	6.0	6.0	3.7	5.2	5.7	3.4	3.7	3.7	3.2	2.7	2.2	1.8
Gross domestic savings	-1.4	-1.9	-3.7	0.3	-1.1	-0.8	0.9	-0.1	-1.2	0.2	1.3	2.1	3.2
Government	-1.2	-1.6	-2.5	-1.3	-4.3	-4.5	-0.9	-0.6	-2.3	-1.0	-0.5	-0.4	-0.2
Private sector	-0.2	-0.3	-1.2	1.6	3.2	3.8	1.7	0.5	1.1	1.2	1.9	2.5	3.4
Consumption	101.4	101.9	103.7	99.7	101.1	100.8	99.1	100.1	101.2	99.8	98.7	97.9	96.8
Government	7.7	7.3	8.0	7.5	8.9	9.0	7.5	7.5	8.0	7.7	7.7	7.8	7.7
Private sector	93.7	94.6	95.6	92.3	92.2	91.7	91.7	92.5	93.2	92.1	91.0	90.1	89.0
Gross investment	16.4	16.2	14.7	16.9	16.2	18.6	16.3	15.9	15.8	16.2	16.8	17.5	18.1
Government	7.4	7.1	5.6	7.9	8.7	11.1	7.2	7.6	7.5	7.3	7.3	7.5	7.6
Private sector	9.0	9.0	9.0	9.0	7.5	7.5	9.0	8.3	8.3	8.9	9.5	10.0	10.5
External current account balance													
with grants	-8.0	-5.6	-4.9	-6.3	-5.7	-7.6	-5.3	-5.2	-6.1	-5.6	-5.5	-5.5	-5.6
without grants	-12.3	-12.9	-12.3	-11.6	-12.5	-15.0	-10.4	-10.7	-11.7	-10.8	-10.2	-9.7	-9.4
Overall balance of payments	-1.7	1.0	-1.1	1.3	-0.5	-0.3	1.5	0.2	-0.2	0.2	2.0	2.4	2.6
Central government finance													
Total revenue (including grants)	16.6	19.4	18.3	18.6	19.6	21.8	18.4	18.9	18.0	18.3	18.1	17.7	17.4
of which: domestic revenue	8.9	8.7	8.7	9.7	8.5	8.5	10.0	10.3	9.3	10.2	10.7	10.9	11.1
Total expenditure [1]	17.6	17.6	16.9	19.0	21.7	24.3	18.3	18.6	19.3	18.6	18.6	18.8	19.0
of which: capital spending	7.4	7.1	5.6	7.9	8.7	11.1	7.2	7.6	7.5	7.3	7.3	7.5	7.6
Overall balance													
Excluding grants	-8.7	-8.9	-8.2	-9.3	-13.1	-15.8	-8.2	-8.3	-10.0	-8.4	-7.9	-8.0	-7.9
Including grants	-1.0	1.8	1.4	-0.4	-2.1	-2.5	0.2	0.4	-1.3	-0.4	-0.6	-1.1	-1.6
Domestic primary balance [2]	-1.7	-3.0	-3.5	-2.7	-5.8	-6.2	-2.5	-2.5	-4.0	-2.8	-2.5	-2.5	-2.5
Public sector debt [3]	50.0	47.1	47.2	42.6	47.1	46.8	39.8	44.5	44.1	40.9	38.8	37.2	35.8
Of which: domestic debt [4]	12.8	10.4	11.1	6.9	7.3	9.5	5.8	6.2	7.1	6.2	5.7	5.3	4.8
Of which: external debt	37.2	36.7	36.1	35.7	39.8	37.3	34.0	38.3	36.9	34.8	33.2	31.9	31.0
Memorandum items:													
GDP per capita (US dollars)	489	500	480	534	486	481	567	513	525	558	591	622	655
Nominal GDP (CFAF billions)	1,266	1,360	1,334	1,464	1,380	1,360	1,575	1,471	1,443	1,554	1,672	1,799	1,935

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

[1] Expenditure is on a cash basis.

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

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

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

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

December 21, 2020

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context. The Covid-19 pandemic had a substantial impact on C.A.R.'s economy but appears now somewhat contained. The number of positive cases and related deaths has been very limited over the last few months, even though most containment measures have been progressively loosened. Despite some progress since the February 2019 peace agreement, the security situation remains precarious. Despite some delays in voter registration, the first round of the presidential and general elections is still scheduled on December 27.

Program performance. The pandemic and early shortfalls in policy implementation have substantially affected program performance, with most quantitative performance criteria and structural benchmarks missed. Program implementation has, however, improved over recent months with fiscal developments broadly in line with the April 2020 RCF projections and substantial progress in implementing structural reforms.

Macroeconomic prospects. Reflecting the longer-than-expected economic impact of the pandemic, the short-term outlook has worsened further. Assuming a steady implementation of the peace agreement and of the reforms envisaged under the program, growth would gradually recover over the medium term. Inflation would remain contained, while the external current account deficit would decline. Risks to this outlook are sizeable and skewed to the downside, while risks to the program remain elevated.

Key policy recommendations. In the short term, the authorities should focus on ensuring that donor financing is efficiently spent to fight the pandemic. As the situation improves, the focus should return to sustainably financing—through revenue mobilization, spending prioritization, and PFM reforms— C.A.R.'s considerable security, social, and infrastructure spending needs, while promoting inclusive growth through governance and business environment reforms.

Staff supports completion of the first and second reviews under the ECF arrangement and the authorities' request for waivers for the non-observance of performance criteria. Completion of this review will release a disbursement equivalent to SDR 23.87 million.

Approved By
Vitaliy Kramarenko (AFR) and Seán Nolan (SPR)

An IMF team consisting of Messrs. Martin (head), Diaby, Million, Nshimiyimana, Ms. Esham (all AFR), and Messrs. Basdevant (FAD), Davies and Zoungarani (resident representative and local economist) held discussions with the Central African authorities by video conferences from September 28–October 9 2020. Mr. Kibassim (OED) also attended the discussions. The team had talks with President Touadéra, Prime Minister Ngrébada, Minister of Finance and Budget Dondra, Minister of Economy, Planning and International Cooperation Moloua, Minister of Mines, Energy and Hydraulics Mboli-Fatrane, Minister of Posts and Telecommunications Gourna-Zacko, National Director of BEAC Chaïbou, senior government officials and parliamentarians, as well as development partners and representatives of the private sector. Mr. Ouattara's help with the production of the staff report is gratefully acknowledged.

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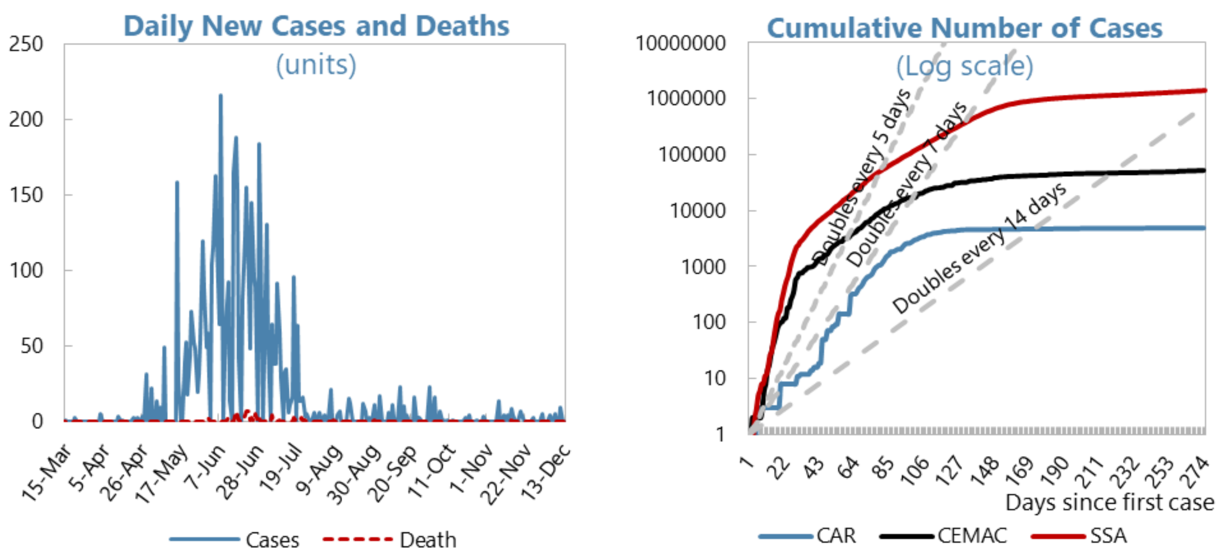
CONTEXT

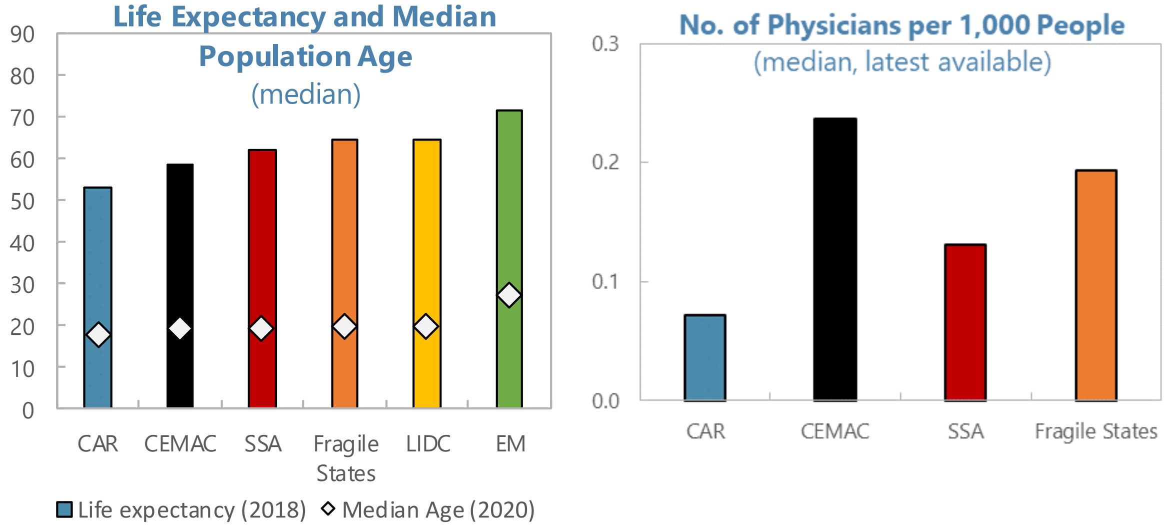
1. **The pandemic appears somewhat contained.** The number of positive cases and related deaths has been very limited over the last few months (Text figure 1), even though most containment measures have been progressively loosened—with schools, bars, and the international airport reopening—and social distancing recommendations are very loosely followed outside official buildings. Deaths are likely underreported as most confirmed cases are not hospitalized or otherwise monitored. While recognizing that this apparent low incidence and morbidity reflect in part the very low level of testing, which is now limited to "suspect" cases, the authorities and donors consider that it may also result from a number of C.A.R.-specific factors, such as its very low median age (19.7 years) and life expectancy (52.8 years, the lowest in the world), as well as the prevalence of other diseases. The high rate of people with antibodies (more than 25 percent of people treated for unrelated conditions) in the context of low morbidity suggests that the health impact of the pandemic may not turn out to be as severe as initially feared.

Text Figure 1. Central African Republic: COVID-19 Cases and Health System



Sources: Johns Hopkins CSSE and IMF staff calculations

Text Figure 1. Central African Republic: COVID-19 Cases and Health System (continued)



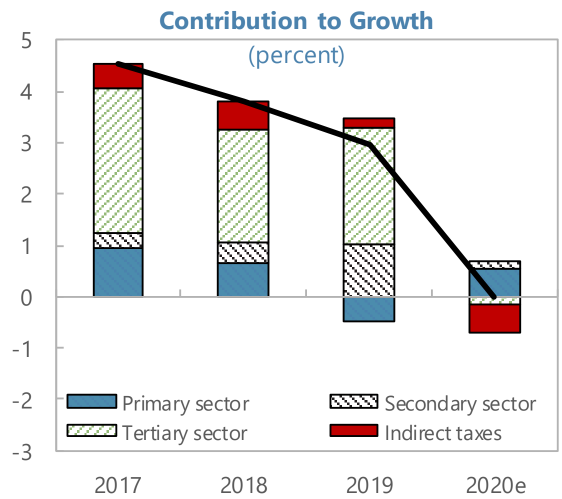
Sources: World Bank WDI, UN Population Prospects and IMF staff calculations

2. **The security and humanitarian situations remain precarious.** In the first half of the year, clashes occurred among armed groups in the north, and between the peacekeeping and government forces and the 3R armed group in the northwest. While violent incidents involving armed groups have since resumed the downward trend observed since the February 2019 peace agreement, the increase in criminal incidents has become a concern. Disarmament of ex-combatants has been slowly progressing in the west but armed groups still operate in most of the country outside Bangui. Also, earlier in the year, the formation of mixed brigades was undermined by some ex-combatants returning to their factions after receiving arms and financial support. The numbers of refugees and of internally displaced persons continued to increase (Figure 1). The number of persons in need of humanitarian aid was estimated at 2.9 million, or about 60 percent of total population, at end-July.

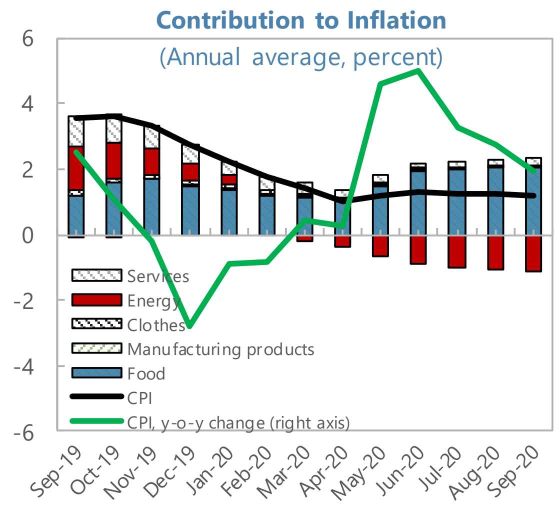
3. **Despite some delays in voter registration, the first round of the presidential and general elections is still scheduled for December 27**. The registration deadline was postponed by one month owing to logistical constraints and to allow the government to find an agreement with the 3R group on registration in the northwest, as participation in this opposition stronghold is considered key to the elections' legitimacy. Enough funds have been committed to cover the presidential and legislative elections (with more funding only necessary for the local elections scheduled later next year). The Constitutional court's decision on December 3 to invalidate the candidacy of former President Bozizé, one of the main opposition candidates for the presidency, might heighten tensions in the run-up to the presidential election.

Figure 1. Central African Republic: Recent Developments

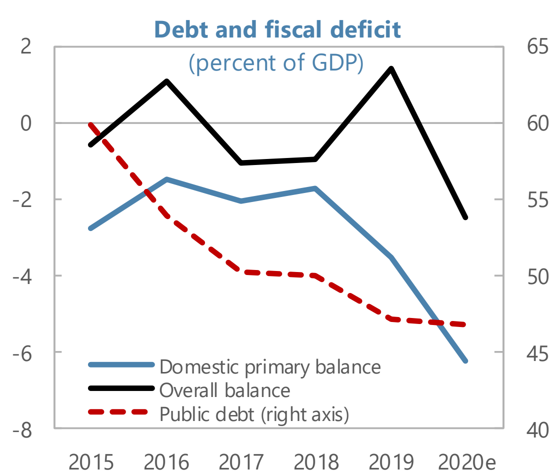
Growth is expected to decline due to the impact of containment measures on mining sector, trade, tourism, hospitality and low external demand.



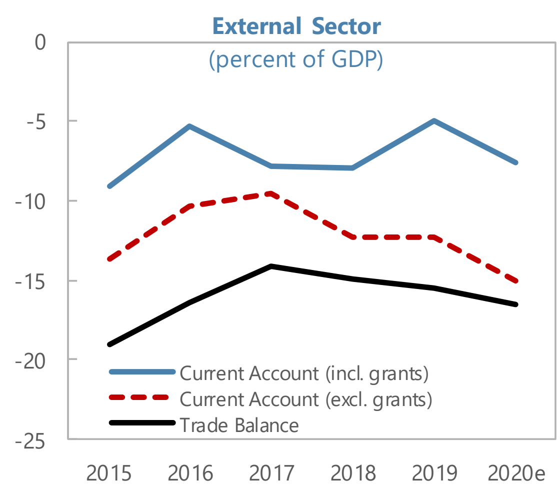
Food inflation drove headline and average inflation reflecting largely supply disruptions caused by the pandemic.



The decline in public debt would slow down in 2020 owing to the deterioration of the fiscal balance caused by the pandemic.



The external current account balance would deteriorate somewhat, reflecting mainly lower formal diamond exports and a sharp drop in the price of wood exports.



Source: C.A.R. Authorities and IMF Staff estimates

RECENT DEVELOPMENTS

4. **The pandemic had a substantial impact on economic activity, with some sectors more affected than others.** In the first half of 2020, activity in trade, transport, tourism, hospitality, and mining was hit hard by the containment measures and low external demand. Other sectors, such as food crops, forestry, and telecommunications proved more resilient. With the economy starting to recover as containment measures are progressively relaxed, economic activity is now projected to stagnate in 2020. Trade disruptions (owing to the testing of drivers at the border) contributed to inflationary pressures during the second quarter. As these pressures have since receded, inflation is expected to remain below 3 percent this year. Reflecting subdued external and domestic demand, exports and imports declined during the first half of the year. Wood exports held up better than expected but suffered from a sharp drop in prices, whereas formal diamond exports came to a near stop.

5. **Fiscal developments during the first three quarters of 2020 were broadly in line with what was envisaged under the RCF disbursement.** In the first half of 2020, lower customs and income taxes reflected: the impact of containment measures on economic activity, imports, and tax administration (less controls); measures to alleviate the economic impact of the pandemic (such as the temporary suspension of the 2020 tax measures); and continued difficulties in mobilizing revenues from the public agencies. Domestic revenue have since started to recover. Current and capital spending were slightly lower than the levels envisaged in April (but above the ECF projections), with lower transfers and purchases of goods and services only partly offset by the regularization of some unregistered 2019 expenditures.

6. **The supplementary 2020 budget law, approved by Parliament on July 9, was also broadly consistent with what was envisaged under the RCF.** The additional emergency financing provided by the IMF and the World Bank was essentially used to finance Covid-related spending and compensate for the shortfall in domestic revenue. Covid-related spending focused on the implementation of the response plan from the Ministry of Health, transfers to vulnerable households and businesses and building infrastructure (Text Table 1) and amounted to CFAF 15.8 billion (1.2 percent of GDP).[1] The authorities were, however, not able to save on non Covid-related expenditures, as envisaged at the time of the RCF, with Parliament increasing them by about CFAF 3 billion (0.2 percent of GDP).

[1] The authorities also received substantial direct assistance from donors to help them contain the pandemic and alleviate its social and economic impact (Annex I)

Text Table 1. Supplementary Budget for 2020: COVID-related expenditures

		FY2020 projections	
		CFAF billion	% of GDP
Covid-related expenditures		15.78	1.16
Covid prevention, containment and management		11.85	0.87
of which:	Response plan (Health Ministry)	9.95	0.73
	Boreholes construction	1.20	0.09
	Road rehabilitation works	0.70	0.05
Transfers to households		0.50	0.04
Transfers to small businesses		2.60	0.19

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

7. **The banking sector remains profitable and well capitalized, despite a decline in liquidity indicators and a slight rebound in non-performing loans**. The capital adequacy ratio amounted to 28 percent in May 2020, compared to 30 percent in December 2019. While still comfortably above the 100-percent regulatory minimum, the liquidity ratio declined to 132 percent in May from 165 percent in last December. Credit to the private sector decreased by 4.8 percent y-o-y in June, reflecting the banks' caution in a highly uncertain environment. Non-performing loans slightly increased, from 12.6 percent of total loans in December 2019 to 13.7 percent to May 2020, and could further increase in the second half of 2020 as the economic consequences of the pandemic unfold.

Box 1. Monitoring of COVID19-Related Expenditures

With the support of the World Bank, a July 2020 ministerial decree established a committee tasked with the supervision of COVID19-related expenditures. This committee is composed of the Minister of Finance, who heads the committee, and representatives of key spending agencies (e.g., Ministry of Health, Ministry of Economy and Planning) and agencies in charge of expenditure supervision (e.g., Budget Directorate, Procurement Directorate, High Authority for Good Governance), as well as observers representing development partners (World Bank, African Development Bank, IMF, European Union, BEAC) and the civil society. The committee monitors not only COVID19-related expenditures executed by the government, but also those executed by donors. It does so on a monthly basis, based on disbursement plans and execution, to cross- check when funds are disbursed and if they are in line with plans. Additionally, the committee will supervise the application of expenditure execution procedures (commitment, procurement, payment). Finally, when relevant the committee will also make recommendations to improve the efficiency and transparency of Covid-related expenditures.

Covid-related expenditures will be audited. The Procurement Directorate will publish all tenders, the criteria for selection, as well as the selected enterprises. For spending executed by the government, execution will be based on normal procedures (as opposed to streamlined ones). These measures will enable independent audits, which are, according to the decree, to be done 60 days after the end of the fiscal year 2020. The outcome of the audit will be published on the website of the Ministry of Finance 15 days after its finalization.

8. **Despite some delays caused by the pandemic's impact on implementation capacity and on technical assistance (TA) delivery, the authorities have made significant progress in implementing structural reforms, including with regard to digitalization:**[2]

- **They established an inter-ministerial committee to monitor Covid-related expenditures (Box 1 and MEFP ¶8).** The committee has started publishing data on the actual spending and the related public contracts (MEFP ¶24).

- **They strengthened further public financial management.** The daily reconciliation of their tax revenue estimates by the tax and customs directorates and the Treasury directorate has helped reduce substantially apparent discrepancies. In October, the authorities adopted the secondary legislation for the new legal framework for public institutions and enterprises (missed end-March structural benchmark (SB)), which had been drafted in collaboration with World Bank and Fund staff. To ensure public agencies' revenue are duly transferred to the Treasury single account (TSA), the ministry of finance instructed public accountants assigned to each agency to control taxpayer compliance and enforce collection as needed. The electronic payment of civil servants' salaries has been rolled out in a total of 10 localities and is now being developed in Bangui for defense and security forces (MEFP ¶9). The rolling-out of the new integrated financial management information system SIM-BA has, however, been delayed to 2022 by Covid-related constraints on TA delivery (MEFP ¶10).

- **They pursued their efforts to enhance tax and customs administration, including through digitalizing procedures.** The authorities are in the process of making up for the delays—caused by the postponement of related TA—in the rolling-out of e-filling and e-payment of taxes. As a result, its deployment to large companies is expected to be completed on time (end-December SB). Work is also ongoing to interconnect Douala's and the border's customs posts with the central services and to transition to ASYCUDA world. The capture of the tax returns for 2018 and 2019 in the SYSTEMIF IT system (missed end-June SB) was finalized in November. Finally, the authorities recruited in June a new service provider to assist the authorities in certifying and securing timber export revenues (missed end-January SB).

- **They published the Fund governance diagnostic report and submitted to Parliament in early October a draft law to strengthen the asset declaration regime** (MEFP ¶11). The submission of the draft law did not meet the SB test date of end-September and the draft itself was not fully in line with the applicable international good practices and the corresponding recommendations provided by the Fund as part of its TA engagement. With continued Fund TA, the authorities plan to amend the draft prior to its formal consideration by Parliament to bring it in line with the applicable international good practices.

- **They made progress on various reforms to improve the business climate**. A new labor code, which caps indemnities in the event of unfair dismissal, has been submitted to Parliament. The code also contains important provisions for greater social justice, for example, by establishing

[2] Many government members and senior officials have contracted the virus.

penalties for sexual harassment in the workplace. With support from the World Bank, the government is in the process of hiring a technical expert to incorporate the recommendations of the African Development Bank (AfDB) on a draft mining code. The aim is to bring the mining code in line with international standards and to provide a sound and transparent framework for the utilization of mineral resources in the C.A.R. The government has also prepared an e- commerce guide, which is now available on the Ministry of Finance website.

PROGRAM PERFORMANCE

The pandemic and early shortfalls in policy implementation have substantially affected program performance, with most quantitative performance criteria and structural benchmarks missed. Program implementation has, however, improved over the last few months.

9. **While implementation of quantitative conditionality fell short of program expectations, recent developments have been broadly in line with what was envisaged under the April 2020 RCF.** Quantitative performance has been below expectations on account of low domestic revenue, high government spending, and delayed domestic arrears repayments. While all end-December PCs and the end-June fiscal PCs criteria on domestic revenue, the domestic primary fiscal balance and the reduction on domestic payment arrears were missed, the end-June indicative targets on social spending and on the recourse to exceptional spending procedures were met, as well as the continuous performance criterion on the contracting or guaranteeing of new external non concessional debt. The continuous performance criterion on the non-accumulation of external arrears was temporarily breached as the authorities made only in September a payment of about $200,000 due to IFAD in April, owing to an insufficient coordination between the Treasury directorate and debt unit. The end-June performance reflected primarily the impact of the pandemic on customs and tax revenue and additional spending to contain it. Recent fiscal performance has, however, been broadly in line with the RCF projections, with domestic revenues well on their way to meet the proposed end-2020 revenue PC and the increase in spending focused on fighting the pandemic (MEFP ¶6).

10. **There has been solid progress in implementing SBs.** One was met, three were implemented with a delay, and there has been strong progress on the last one. The submission to Parliament of a draft supplementary budget providing for the elimination of the seven remaining public agencies without economic justification was the only SB met on time (end-June). However, Parliament rejected this elimination, considering that an assessment of its socio-economic impact should be conducted beforehand. Following the hiring in January of Webb Fontaine to help customs with the valuation of imports, the authorities hired another service provider in May to help them certify and secure timber export revenues (missed end-January SB). The secondary legislation to support the implementation of the new legal framework for public and para-public institutions and enterprises were adopted in early October (missed end-March SB). The 2018 and 2019 corporate tax returns have been entered into the SYSTEMIF IT system (missed end-June SB and prior action). Finally, the authorities submitted to Parliament a draft law to strengthen the asset declaration regime but that draft will have to be amended prior to its formal consideration by Parliament to be

fully in line with the applicable international good practices (missed end-September SB, prior action).

OUTLOOK AND RISKS

11. **The short-term outlook has worsened further.** Growth is now projected at zero in 2020, compared with 5 percent at the time of the ECF request and 1 percent when the RCF was requested, reflecting the longer-than-expected impact of the pandemic, both globally and in C.A.R. Growth is also expected to recover more gradually than previously expected, being limited to 3½ percent in 2021. Assuming a steady implementation of the peace agreement and of the reforms envisaged under the program, growth would increase further over the medium term to reach 5 percent. Inflation would remain under 3 percent. The external current account deficit would narrow to about 5½ percent of GDP in the medium term largely due to lower imports and higher exports.

12. **Risks to this outlook are sizeable and skewed to the downside.** The outlook for the end of 2020 and early 2021 is particularly uncertain, owing not only to the possible worsening of the pandemic but also to a still volatile security environment, with tensions that could intensify in the run-up to the elections. Most prominent among them is the possibility that the economic and social impact of the pandemic proves larger and more protracted than currently assumed and/or leads to increased violence in the country. Upside risks include a milder pandemic impact (e.g., if a vaccine becomes rapidly and widely available) and faster implementation of structural reforms and the peace agreement after the elections.

13. **An alternative scenario illustrates the potential impact of these risks (Annex II).** This scenario assumes a more severe and protracted pandemic and increased insecurity, which could deepen the crisis, delay the recovery, and affect adversely investors' sentiment. Pressure on fiscal and external accounts would mount, requiring a combination of additional grant financing and cuts in non-priority spending.

Text Table 2. Medium-term Outlook, 2018-25

	2018	2019		2020			2021			2022	2023	2024	2025
	Est.	ECF	Est.	ECF	RCF	Proj.	ECF	RCF	Proj.	Proj.			
	(Annual percentage change; unless otherwise indicated)												
Real GDP	3.8	4.5	3.0	5.0	1.0	0.0	5.0	4.0	3.5	5.0	5.0	5.0	5.0
Inflation (end of year)	4.6	-0.3	-2.8	2.5	3.5	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Current account balance (percent of GDP)	-8.0	-5.6	-4.9	-6.3	-5.7	-7.6	-5.3	-5.2	-6.1	-5.6	-5.5	-5.5	-5.6
Overall fiscal balance (incl. grants, percent of GDP)	-1.0	1.8	1.4	-0.4	-2.1	-2.5	0.2	0.4	-1.3	-0.4	-0.6	-1.1	-1.6
Domestic primary fiscal balance (percent of GDP) [1]	-1.7	-3.0	-3.5	-2.7	-5.8	-6.2	-2.5	-2.5	-4.0	-2.8	-2.5	-2.5	-2.5
Public sector debt (percent of GDP)	50.0	47.1	47.2	42.6	47.1	46.8	39.8	44.5	44.1	40.9	38.8	37.2	35.8
Budget support (percent of GDP)	3.0	6.0	6.0	3.7	5.2	5.7	3.4	3.7	3.7	3.2	2.7	2.2	1.8

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

Sources: C.A.R. Authorities and IMF Staff estimates and projections

14. **The authorities shared staff's views on the outlook and risks and reasserted their commitments to maintain prudent macroeconomic policies and speed up structural reforms to achieve program's objectives.** Though the pandemic has had an impact on the implementation of such policies and reforms, the authorities agreed that their implementation is key to

strengthening further macroeconomic stability, building the resilience, bolstering inclusive growth, containing inflation, and reducing further external and fiscal imbalances. They saw more upside risks to the short-term outlook, considering that C.A.R.'s economic structure, with a relatively large agricultural sector and limited tourism sector might blunt further the pandemic's economic impact.

POLICY ISSUES AND DISCUSSIONS

The government's policies will focus on fighting the pandemic and supporting a swift recovery in the context of the ECF's initial objectives of maintaining macroeconomic stability, improving governance, and addressing C.A.R.'s protracted balance of payments needs. In the short term, much attention will be devoted to ensuring that donor financing is efficiently spent to fight the pandemic. As the situation improves, the focus will return to sustainably creating space for—through revenue mobilization, spending prioritization, and PFM reforms— C.A.R.'s considerable security, social, and infrastructure spending needs. These priorities, along with governance and business environment reforms, would support inclusive growth and poverty reduction. Fiscal policy will remain guided by the objective of gradually reducing public debt, while ensuring the sustainable financing of C.A.R.'s most pressing spending needs.[3]

A. Fiscal Policy

15. **Following RCF approval, fiscal policy has focused on the efficient and transparent implementation of the response to the pandemic and on containing other expenditures.** The authorities reiterated their commitment to use the emergency financing provided by donors to finance the necessary Covid-related spending and to offset domestic revenue loss. Accordingly, the additional allocations provided in the supplementary budget aim at strengthening the health sector and at alleviating the impact of the pandemic on the most vulnerable households and enterprises. To ensure their efficiency, the committee tasked with the supervision of COVID19- related expenditures will continue to monitor them closely and will publish monthly data on their execution and on the results of the related tenders. With a view to contain other, non Covid-related expenditures, the authorities identified CFAF 7 billion in savings in non-priority expenditures.[4]

16. **The authorities submitted to Parliament a draft 2021 budget law consistent with the medium-term fiscal objectives set under the ECF and based on realistic revenue assumptions (prior action)**. Revenues are expected to rebound partially, on account of the economic recovery, the normalization and strengthening of tax administration, and the full-year impact of the 2020 fiscal measures (which had been temporarily suspended). To ensure debt sustainability, domestic

[3] Owing to the economic impact of the pandemic, total public debt is now projected to decline to 41 percent of GDP at the end of the program period (end-2022), compared with a projection of 37 percent of GDP when the ECF arrangement was adopted.

[4] These savings will offset most of the additional non-Covid-related spending introduced by Parliament and higher-than-expected 2019 budget expenditures implemented in 2020.

primary spending would be limited to about 11 percent of GDP, similar to what was envisaged pre- pandemic for 2020. The authorities agreed with staff that, in view of the pandemic appearing contained and the fact that most of supplementary budget's Covid-related allocation had still to be executed, there was a limited need for additional such spending at this stage. Overall, the domestic primary deficit would decline to 4 percent of GDP, from 6¼ percent of GDP in 2020 and compared with a medium-term objective of 2½ percent of GDP.

17. **While at a high risk of debt distress, C.A.R.'s debt level is assessed to remain sustainable.** Despite the slight downward revision of growth projections, the conclusions of the debt sustainability analysis (DSA) are essentially unchanged from those of the April 2020 DSA. Over the medium term, the liquidity indicators are projected to exceed their thresholds owing mainly to the increase in repayments due to the Fund, which have been accentuated by the RCF disbursement. In this context, the authorities agreed on the need to continue to pursue a prudent approach to contracting new external debt, prioritizing grant financing with some limited room for concessional loans.

B. Structural Fiscal Issues

The authorities reiterated their commitment to strengthen public institutions. They intend to pursue reforms aimed at improving PFM, strengthening tax and customs administration, digitalizing procedures, promoting fiscal transparency, enhancing the oversight of public agencies and enterprises, and improving debt management.

18. **Consistent with their commitment under the RCF, the authorities will ensure the transparency and efficiency of Covid-related spending.** The committee in charge of their monitoring will continue to publish monthly data on these expenditures as well as on the results of the related tenders. The Court of Auditors will conduct an audit of these expenditures, which will be published by end-April 2021 (proposed new SB, MEFP ¶24).

19. **The authorities will continue PFM reforms, including to strengthen the budget process, consolidate the TSA, and reduce arrears.** Given the delays in rolling out the new integrated financial management system SIM-BA, the authorities requested World Bank TA to assist them in prolonging the use of the existing system GESCO. The authorities are now intending to repay all their domestic arrears by end-2021.[5] They will also streamline the administrative process pertaining to retirement of civil servants to avoid the accumulation of pension arrears in the future. The electronic payment of salaries will be extended to all defense and security forces and then to the national education and health sector personnel. The authorities are committed to improve the coordination between the debt unit and the Treasury directorate in order to avoid the accumulation of external arrears. Indeed, no less than one month before each due date for the external debt, the

[5] These reimbursements will include about CFAF 4 billion in recently identified arrears, including about CFAF 1 billion in pensions arrears, CFAF 2 billion in salary arrears to former state agents of Bangui Municipality and Parliament, and CFAF 1 billion in commercial arrears.

debt service will send an official reminder note to the Treasury directorate in order to make the related payment (MEFP ¶25).

20. **Other measures will aim at enhancing spending efficiency and transparency.** The elimination of public agencies without economic justification will be enacted by end-April (proposed new SB), which will help free up resources for priority expenditures. With a view to increasing its efficiency, the authorities have asked the World Bank to conduct a review of the government's social spending. The authorities will mandate the on-line publication of the full text of all procurement contracts (whether or not related to the COVID-19 pandemic) of more than CFAF 5 million within 30 days of their award, along with the names of the beneficial owners of the awarded legal entities (proposed new end-September 2021 SB, MEFP ¶24).

21. **The authorities will also pursue their efforts to strengthen domestic revenue mobilization through digitalization and improved coordination between customs and tax administration:**

- **To significantly increase the hitherto very limited number of corporate taxpayers, the tax directorate will identify by end-year 300 largest importers and 200 largest beneficiaries of public tenders.** It will then audit those of these enterprises that do not have a valid fiscal identification number, whose turnover does not appear consistent with the information derived from the public tenders/imports, or/and are not current with their tax obligations. The results of these audits will be published by end-June 2021 (proposed new SB, MEFP ¶27).

- **The e-filling and e-payment of tax obligations will be extended to small- and medium-size enterprises** (MEFP ¶27).

- **The authorities will conduct monthly meetings between the service provider and the customs department to reconcile import valuations and take corrective measures when significant discrepancies are identified**. They will also finalize in early 2021 the interconnection between the customs posts of Douala, Berberati, and other border cities with the central services in Bangui. Pending the securing of imports between Douala and the border, this will notably allow for the reconciliation of data on goods recorded by these two locations (MEFP ¶27). The authorities are also committed to verify of the use of imported goods exempt from custom duties.

22. **Public sector oversight will be strengthened further.** The legal framework for public entities and enterprises will be finalized through the adoption of the texts specific to certain categories of public entities and training and will start to be implemented. The authorities will notably work toward the publication by September 2022 of the financial statements of some of the largest public enterprises.

C. Other Structural Reforms

23. **The authorities remain committed to enhancing the business environment, with the support from development partners**. Once the AfDB and World Bank comments accommodated, the draft mining code will be submitted to the government, and then to Parliament in the first half of 2021. The authorities have also requested World Bank assistance to help them assess whether the recent increase in parafiscal taxes on telecommunications companies is adequate and not a potential impediment to the development of the sector and to the government's digitalization strategy. The authorities will review the direct taxes and fees levied directly by line ministries, eliminate those without justification, and transfer the others to the TSA (MEFP ¶29).

24. **The authorities will pursue their efforts to strengthen governance.** At their request, and in close coordination with the World Bank and UNODC, staff helped the authorities draft an anti-corruption action plan. This action plan will be informed by the recommendations of the governance diagnostic mission conducted by the Fund last year, and calls for strengthening the powers of the good governance institution (HABG) (MEFP ¶28). They will also draft a new anti-corruption law, which will be submitted to Parliament (proposed new SB). The new anti-corruption law will lay the legal foundations to bring the anti-corruption legal framework of C.A.R. in line with international good practices (MEFP ¶28). Once the asset declaration law is adopted, the authorities will also issue the relevant implementing decree(s) in consultation with Fund staff.

25. **The authorities intend to intensify financial sector reforms.** Although the banking sector's financial soundness indicators (FSI) are relatively strong, financial inclusion is very weak (with most of the population lacking access to the financial system), and banks emphasize several obstacles (mostly legal) in their quest for expansion. The Economic and Financial National Committee (ETNC), replacing the National Credit Council (NCC), still aims at implementing the recommendations from the 2017 COBAC mission and from the joint 2018 conference between the financial sector and the judiciary system to enhance the trust between the financial sector and the authorities. The authorities have also reiterated their commitment to enhance financial inclusion and tax collection through the development of mobile and online banking and the establishment of a co-financing mechanism of commercial loans to SMEs.

CAPACITY BUILDING

26. **The Fund continues to support the implementation of the Capacity Development (CD) Strategy for C.A.R. given the importance of the integration of CD with program modalities.** Staff discussed these priorities with the authorities to make sure that their prioritization and sequencing are closely aligned with the program objectives. While no new CD priority needs for the short term have emerged in the context of the pandemic, the authorities expressed their interest in customized TA on Financial Programming and Policies, to be delivered virtually in March 2021.

27. **With the pandemic substantially hindering field delivery, TA missions have been conducted virtually for the most urgent CD projects.** Fund TA has been restricted since the onset

of the crisis and physical TA missions remain suspended, which has made more difficult the implementation of structural reforms to which the authorities committed under the current ECF- supported program. Some Fund TA is, however, being delivered online, notably on revenue administration, Treasury processes, macro-economic statistics, and asset declaration. Limited internet access complicates this virtual delivery.

PROGRAM ISSUES

28. **The authorities are requesting waivers of non-observance of missed end-December and end-June PCs and of the continuous PC on the non-accumulation of arrears, based on their corrective actions (Letter of intent).** These actions include: (i) the measures taken to improve the transfer of the public agencies' revenue to the TSA (¶8) and commitments to implement other revenue mobilization measures (¶23); (ii) the connection of the Treasury directorate to the BEAC's Sygma-Systac system (MEFP,¶13), which allows it to follow more closely liquidity; (iii) the envisaged savings to ensure that Covid-related expenditures are financed in a sustainable way (¶17); (iv) the clearance of the external arrears to FIDA (¶9) and the enhanced coordination between the debt unit and the Treasury directorate to avoid the recurrence of external arrears (¶20); and (v) the submission to Parliament of a 2021 budget law in line with the ECF objectives (¶18).

29. **In view of the large uncertainty surrounding the macroeconomic outlook, it is proposed that the number of QPCs be brought back to three (domestic government financing, domestic revenue, and primary fiscal balance).** It is also proposed that the current QPC on the repayment of domestic arrears be replaced by an indicative target to allow the authorities more flexibility in addressing potential liquidity issues in an uncertain environment.

30. **The following prior actions have been established for this review:** (i) submission to Parliament of a 2021 draft budget law in line with program commitments; (ii) capture all the 2018 and 2019 corporate tax returns into the SYSTEMIF IT system (missed end-September SB); and (iii) submission to Parliament of a draft law aligning the asset declaration regime with the applicable international good practices. (missed end-September SB).

31. **The program for the next 12 months is fully financed**. In addition to the projected Fund disbursements under the ECF, which are expected to follow the original schedule (Table 10), and support under the CCRT, the authorities have already received firm commitments regarding budget support and project grants from key multilateral and bilateral developments partners (World Bank, European Union, France, and AfDB; Table 5). The authorities are also participating in the G-20 Debt Service Suspension Initiative (DSSI) and have indicated their intention to request the extension through the first half of 2021. Financing prospects are also good for the remainder of the program period. The original schedule of ECF program disbursements remains valid (Table 10).

32. **C.A.R.'s capacity to repay the Fund remains adequate, although subject to risks mostly associated with the country's high exposure to Fund resources.** These risks stem more specifically from the facts that: (i) C.A.R. remains at high risk of debt distress; (ii) the Fund accounts

for the largest share of external debt (at about one third in 2020); and (iii) debt repayments to the Fund are significant in the coming years and will peak in 2027 at 12.8 percent of domestic revenue (Table 8). They are mitigated by C.A.R. being part of a monetary union (which gives it access to CEMAC's pool of reserves provided it has budgetary resources to purchase them), the maintenance of significant government deposits with BEAC over the medium term, the upside potential from an eventual peace dividend. Given C.A.R.'s deep-rooted challenges, it remains likely, however, that the country will require continued Fund engagement, including some financing, for the foreseeable future.

33. **With the exception of Libya, official creditors to which there are outstanding external arrears have consented to Fund financing notwithstanding these arrears.** C.A.R. has accumulated arrears that pre-date the Completion Point of the HIPC initiative with some non-Paris Club creditors (Argentina, Equatorial Guinea, Iraq, Libya, and Taiwan, Province of China). All creditors have provided consent to Fund financing, except Libya, which has requested more time to convey its decision. C.A.R. remains in arrears to a private creditor and is continuing good-faith efforts to reach a collaborative agreement. As prompt financial support is considered essential for the successful implementation of C.A.R.'s program, and C.A.R. is pursuing appropriate policies, the Fund may provide financing to C.A.R. notwithstanding its external arrears to private creditors. The authorities reported that they were current on their remaining external debt service obligations. Some external arrears have been accumulated with the FIDA in the second quarter but have been cleared since.

34. **The regional institutions have continued to implement policies and reforms in support of CEMAC countries' economic programs.** After easing monetary policy and bank liquidity provision in March, BEAC took additional measures in July, including: (i) a new temporary (6- month) government securities purchase program of CFAF 600 billion for all CEMAC sovereign issuers; and (ii) the resumption of longer-term liquidity injections up to one year for banks on March 2020. COBAC informed banks to utilize a capital conservation buffer of 2.5 percent to absorb pandemic- related losses but requested banks to adopt a restrictive dividend distribution policy.

35. **The BEAC has provided updated policy assurances in support of CEMAC countries' Fund-supported programs.** In response to the shortfall in NFA accumulation at end-December 2019 and end-June 2020, the BEAC took corrective action as further set out in the union-wide paper. In its updated letter of policy support, the BEAC proposed end- December 2020 and end-June 2021 targets for its net foreign assets (NFAs) while committing to implement a monetary policy consistent with the achievement of these targets. These assurances are critical for the success of C.A.R.'s program and will help bolster the region's external sustainability.

36. **BEAC has implemented all priority recommendations from the 2017 safeguards assessment.** In particular, its secondary legal instruments were aligned with its amended Charter, and the central bank has issued its FY 2019 audited financial statements in full compliance with IFRS.

STAFF APPRAISAL

37. **While the pandemic appears somewhat contained, it is crucial to remain vigilant.** The high rate of people with antibodies in the context of low morbidity could indicate that the pandemic's health impact might end up being relatively limited in C.A.R., possibly owing to its demographics and the prevalence of other diseases. As this is far from certain, the authorities should remain vigilant, continue to promote social distancing measures, and be ready to implement promptly additional measures in the case of a resurgence.

38. **Over the last few months, the authorities rightly focused on ensuring donor financing is efficiently spent to fight the pandemic**. The supplementary budget adequately channels this financing to strengthen the health system's capacity to respond to the pandemic and alleviate its impact on the most vulnerable households and companies. The establishment of a committee tasked with the supervision of these expenditures provides an appropriate institutional framework for ensuring a transparent and efficient implementation. The audit by the Court of Auditors of these expenditures and the publication of the related tenders will provide additional safeguards. Regarding other PFM reforms, the authorities need to pursue their efforts to consolidate the TSA, strengthen expenditure controls and procedures, and to enhance debt management.

39. **As the situation normalizes, the authorities will need to step up their efforts to ensure that the ECF's broad objectives are met.** While explained to a large extent by the pandemic, the program's underperformance also reflects pre-pandemic shortfalls in revenue collection, spending controls, and reform implementation. The authorities have recently strengthened reform and program implementation efforts, and meeting the ECF's objectives will require the continuation of this positive momentum. These objectives—namely, ensuring macroeconomic stability and debt sustainability, restoring sustained inclusive growth, and addressing C.A.R.'s protracted balance of payments needs—remain fundamental to the authorities' efforts to restore peace and prosperity in the country. Fiscal policy should remain guided by the objective of gradually reducing public debt, while ensuring the sustainable financing of C.A.R.'s most pressing spending needs. The structural reforms will help the authorities in their efforts to enhance domestic revenue mobilization, strengthen public financial management, and enhance governance and the business environment. Holding peaceful and representative elections will also be an important step in strengthening the institutional framework and government legitimacy, which are key to their peacemaking efforts and the implementation of the envisaged reform agenda.

40. **Domestic revenue mobilization and reform of public agencies remain essential to sustainably finance public service provision.** After being stalled by the pandemic, efforts to strengthen tax and customs administration need to redouble. Measures to digitalize companies' tax declarations and payments, to significantly increase the number of corporate taxpayers, and to secure imports between Douala and the border with Cameroon will be important steps toward realizing C.A.R.'s untapped revenue potential. The elimination of public agencies without economic justification will also create additional fiscal space for priority spending and should not be postponed further.

41. **The authorities need to intensify their efforts to tackle governance and business climate issues, which are hindering investment and growth.** The adoption of the new labor and mining codes and the streamlining of parafiscal taxes will help strengthen the regulatory framework. Along with the aforementioned PFM reforms, the adoption and implementation of an asset declaration regime in line with the applicable international good practices as well as a new anticorruption law are key to addressing deep-rooted governance issues.

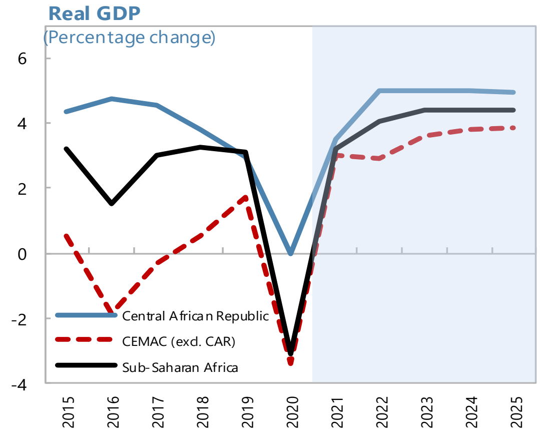
42. **Risks to the program remain elevated.** A resurgence of the pandemic could threaten the budding economic recovery and stretch further public finances. Heightened security tensions, notably in the election results were to be disputed, could undermine growth, revenues, and the authorities' ability to implement the program. Though elevated, these risks are manageable. As discussed in the alternative scenario, the authorities have indicated their readiness to respond swiftly, through a combination of adjustments and additional financing, if such downside risks were to materialize. On the upside, a quicker-than-anticipated global recovery could boost growth, while transparent and fair elections could give the new government a strong mandate to accelerate the implementation of structural reforms and of the peace agreement.

43. **Sustained grant financing and technical assistance from the donor community remain paramount to the program's success.** Given C.A.R.'s high risk of debt distress and the considerable uncertainty surrounding the economic outlook, it is important for the authorities to follow a prudent approach to contracting new external debt, prioritizing grant financing with some limited room for concessional financing.

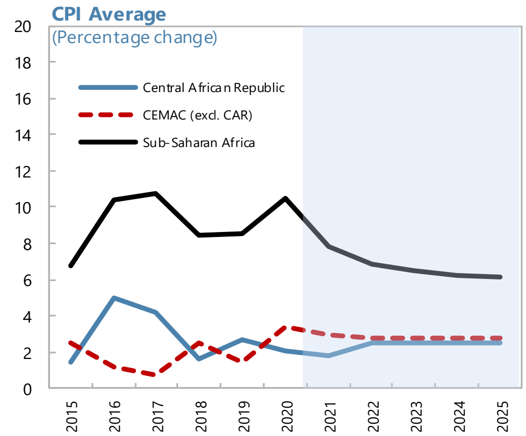
44. **In this context, and in view of C.A.R.'s balance of payments financing needs, adequate capacity to repay the Fund, and the authorities' economic policies and reforms as well the correction action taken by the BEAC in response to the end-December 2019 and end-June 2020 shortfall in NFA accumulation, staff recommends the completion of the first and second reviews under the ECF arrangement and the authorities' request for waivers for the non-observance of performance criteria.** 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 December 2020 union-wide background paper. Staff also recommends completion of the financing assurances review.

Figure 2. Central African Republic: Medium-Term Economic Prospects, 2015–25

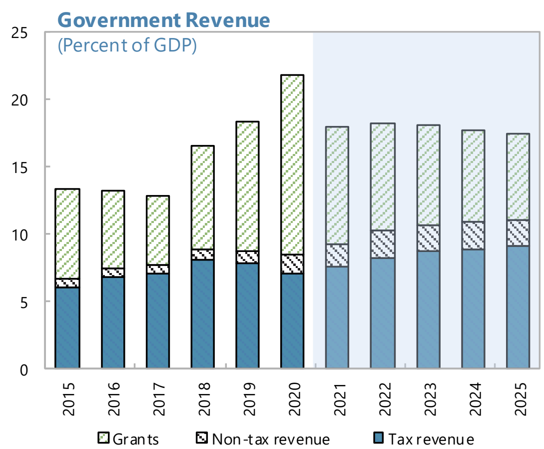
Owing to the pandemic, economic activity is expected to stagnate this year, before starting to recover in 2021.



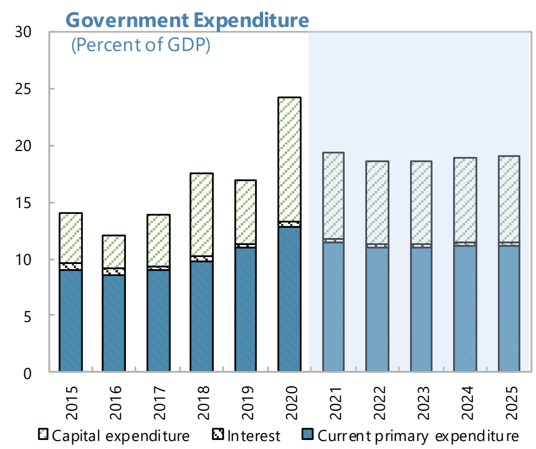
Inflation is expected to remain contained, both in 2020 and over the medium term



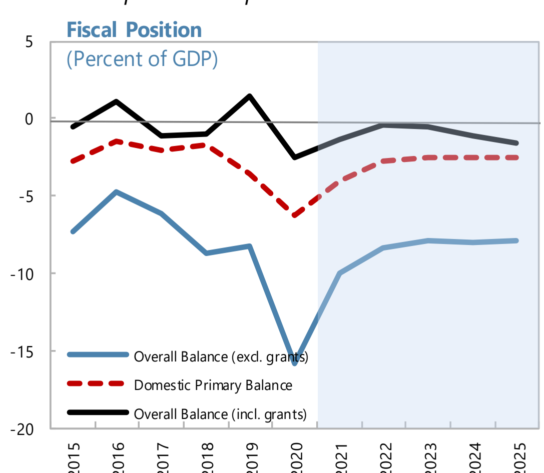
Total revenue are not expected to increase significantly over the medium term as the increase in domestic revenue may be offset by a gradual decline in grant financing…



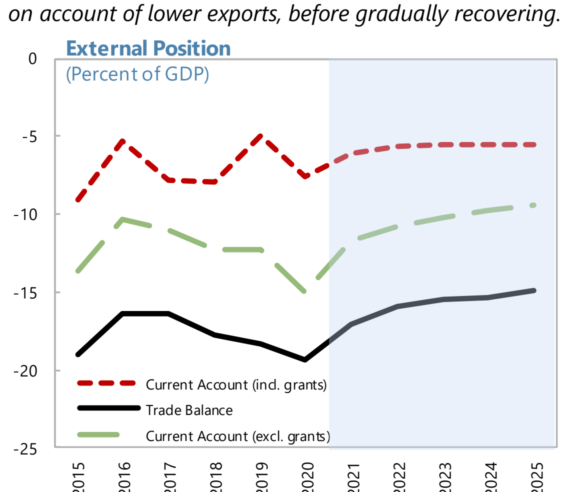
…limiting the space to increase spending.



Following a sharp drop in 2021, the domestic primary balance is expected to improve over the medium term.



The current account balance would also decline in 2020 on account of lower exports, before gradually recovering.



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

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

	2018	2019		2020			2021			2022	2023	2024	2025
	Est.	ECF	Est.	ECF	RCF	Proj.	ECF	RCF	Proj.	Proj.			
				(Annual percentage change; unless otherwise indicated)									
National income and prices													
GDP at constant prices	3.8	4.5	3.0	5.0	1.0	0.0	5.0	4.0	3.5	5.0	5.0	5.0	5.0
GDP per capita at constant prices	2.3	2.8	1.3	3.2	-0.7	-1.8	3.1	2.0	1.5	3.0	3.0	3.0	3.0
GDP at current prices	5.2	7.4	5.4	7.6	3.4	1.9	7.6	6.6	6.1	7.7	7.6	7.6	7.6
GDP deflator	1.3	2.8	2.4	2.5	2.3	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5
CPI (annual average)	1.6	3.2	2.7	2.5	1.2	2.1	2.5	2.5	1.8	2.5	2.5	2.5	2.5
CPI (end-of-period)	4.6	-0.3	-2.8	2.5	3.5	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Money and credit													
Broad money	14.0	3.2	8.9	14.9	12.3	7.5	5.8	0.8	10.3	4.0	4.7	6.6	7.9
Credit to the economy	11.5	3.0	-1.0	5.0	-2.0	-3.0	7.0	7.0	5.0	8.0	8.0	8.0	8.0
External sector													
Export volume of goods	10.3	-6.5	-6.7	14.9	-9.9	-3.1	6.0	11.5	8.2	10.7	12.6	10.0	8.8
Import volume of goods	-0.8	10.4	11.3	7.8	-1.3	-0.8	4.0	4.5	0.1	4.6	6.1	5.8	6.6
Terms of trade	-12.5	12.7	14.7	3.5	-0.1	-19.6	2.2	5.9	5.3	2.4	3.0	1.2	3.8
				(Percent of GDP; unless otherwise indicated)									
Gross national savings	8.4	10.5	9.7	10.6	10.5	11.1	11.0	10.6	9.7	10.6	11.3	12.0	12.6
Of which: current official transfers	3.0	6.0	6.0	3.7	5.2	5.7	3.4	3.7	3.7	3.2	2.7	2.2	1.8
Gross domestic savings	-1.4	-1.9	-3.7	0.3	-1.1	-0.8	0.9	-0.1	-1.2	0.2	1.3	2.1	3.2
Government	-1.2	-1.6	-2.5	-1.3	-4.3	-4.5	-0.9	-0.6	-2.3	-1.0	-0.5	-0.4	-0.2
Private sector	-0.2	-0.3	-1.2	1.6	3.2	3.8	1.7	0.5	1.1	1.2	1.9	2.5	3.4
Consumption	101.4	101.9	103.7	99.7	101.1	100.8	99.1	100.1	101.2	99.8	98.7	97.9	96.8
Government	7.7	7.3	8.0	7.5	8.9	9.0	7.5	7.5	8.0	7.7	7.7	7.8	7.7
Private sector	93.7	94.6	95.6	92.3	92.2	91.7	91.7	92.5	93.2	92.1	91.0	90.1	89.0
Gross investment	16.4	16.2	14.7	16.9	16.2	18.6	16.3	15.9	15.8	16.2	16.8	17.5	18.1
Government	7.4	7.1	5.6	7.9	8.7	11.1	7.2	7.6	7.5	7.3	7.3	7.5	7.6
Private sector	9.0	9.0	9.0	9.0	7.5	7.5	9.0	8.3	8.3	8.9	9.5	10.0	10.5
External current account balance													
with grants	-8.0	-5.6	-4.9	-6.3	-5.7	-7.6	-5.3	-5.2	-6.1	-5.6	-5.5	-5.5	-5.6
without grants	-12.3	-12.9	-12.3	-11.6	-12.5	-15.0	-10.4	-10.7	-11.7	-10.8	-10.2	-9.7	-9.4
Overall balance of payments	-1.7	1.0	-1.1	1.3	-0.5	-0.3	1.5	0.2	-0.2	0.2	2.0	2.4	2.6
Central government finance													
Total revenue (including grants)	16.6	19.4	18.3	18.6	19.6	21.8	18.4	18.9	18.0	18.3	18.1	17.7	17.4
of which: domestic revenue	8.9	8.7	8.7	9.7	8.5	8.5	10.0	10.3	9.3	10.2	10.7	10.9	11.1
Total expenditure [1]	17.6	17.6	16.9	19.0	21.7	24.3	18.3	18.6	19.3	18.6	18.6	18.8	19.0
of which: capital spending	7.4	7.1	5.6	7.9	8.7	11.1	7.2	7.6	7.5	7.3	7.3	7.5	7.6
Overall balance													
Excluding grants	-8.7	-8.9	-8.2	-9.3	-13.1	-15.8	-8.2	-8.3	-10.0	-8.4	-7.9	-8.0	-7.9
Including grants	-1.0	1.8	1.4	-0.4	-2.1	-2.5	0.2	0.4	-1.3	-0.4	-0.6	-1.1	-1.6
Domestic primary balance [2]	-1.7	-3.0	-3.5	-2.7	-5.8	-6.2	-2.5	-2.5	-4.0	-2.8	-2.5	-2.5	-2.5
Public sector debt [3]	50.0	47.1	47.2	42.6	47.1	46.8	39.8	44.5	44.1	40.9	38.8	37.2	35.8
Of which: domestic debt [4]	12.8	10.4	11.1	6.9	7.3	9.5	5.8	6.2	7.1	6.2	5.7	5.3	4.8
Of which: external debt	37.2	36.7	36.1	35.7	39.8	37.3	34.0	38.3	36.9	34.8	33.2	31.9	31.0
Memorandum items:													
GDP per capita (US dollars)	489	500	480	534	486	481	567	513	525	558	591	622	655
Nominal GDP (CFAF billions)	1,266	1,360	1,334	1,464	1,380	1,360	1,575	1,471	1,443	1,554	1,672	1,799	1,935

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

[1] Expenditure is on a cash basis.

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

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

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

Table 2a. Central African Republic: Central Government Financial Operations, 2018–25
(Billions of CFAF)

	2018	2019		2020			2021			2022	2023	2024	2025
	Est.	ECF	Est.	ECF	RCF	Proj.	ECF	RCF	Proj.		Proj,		
Revenue	210.5	263.2	244.8	271.7	269.9	296.2	290.6	278.5	259.4	283.6	302.2	318.5	336.9
Domestic revenue	112.4	118.0	116.1	141.7	117.7	115.7	157.9	151.0	133.9	159.0	178.6	195.8	214.4
Tax revenue	102.2	103.9	104.1	115.9	97.7	96.3	131.2	124.7	109.6	128.6	145.9	160.6	176.5
Income and property tax	21.6	23.3	23.5	25.6	22.3	26.3	29.5	27.7	30.4	36.0	39.9	46.2	49.2
Taxes on goods and services	51.6	54.3	54.3	58.9	49.6	44.9	65.5	62.8	49.9	57.2	66.6	72.8	81.0
Of which : VAT	33.1	34.4	34.4	36.3	30.1	20.9	40.3	38.2	23.2	27.1	32.4	35.1	39.1
Taxes on international trade	29.0	26.2	26.2	31.4	25.8	25.1	36.2	34.2	29.3	35.4	39.4	41.6	46.4
Non-tax revenue	10.2	14.1	12.0	25.8	20.0	19.4	26.7	26.4	24.4	30.4	32.7	35.2	37.9
Grants	98.1	145.2	128.7	130.0	152.2	180.5	132.7	127.5	125.4	124.6	123.6	122.7	122.5
Program	37.5	81.9	80.2	54.1	71.9	77.7	53.9	53.9	53.3	50.0	45.0	40.0	35.4
Project	60.6	63.3	48.5	75.9	80.3	102.8	78.8	73.6	72.1	74.6	78.6	82.7	87.1
Expenditure [1]	222.8	239.0	225.8	277.8	298.8	330.2	287.8	273.1	278.3	289.5	311.4	338.9	367.9
Current primary expenditure	124.6	137.7	146.1	158.1	174.8	174.7	169.1	157.5	164.8	171.6	184.8	199.6	214.9
Wages and salaries	61.3	64.5	65.1	70.2	71.4	71.4	75.6	69.9	72.1	74.6	80.3	88.1	94.8
Transfers and subsidies	27.5	38.0	38.9	48.9	52.0	51.7	51.3	46.7	48.8	52.0	56.1	59.4	65.1
Goods and services	35.8	35.3	42.2	39.0	51.3	51.6	42.2	40.9	43.9	45.0	48.4	52.1	55.0
Interest	5.1	4.6	4.6	4.6	4.6	4.9	4.5	4.5	5.0	4.8	4.7	5.2	5.7
External	2.6	2.0	2.0	2.0	2.0	2.3	2.1	2.1	2.3	2.2	2.2	2.2	2.2
Domestic	2.5	2.7	2.7	2.6	2.6	2.6	2.4	2.4	2.7	2.6	2.6	3.0	3.5
Capital expenditure	93.1	96.7	75.0	115.1	119.5	150.6	114.2	111.1	108.5	113.0	121.9	134.1	147.3
Domestically financed	9.8	21.2	17.1	23.5	23.5	25.5	27.9	30.1	27.5	30.9	35.8	41.4	48.4
Externally financed	83.3	75.5	58.0	91.6	95.9	125.1	86.3	81.1	81.0	82.1	86.1	92.7	98.9
Overall balance													
Excluding grants	-110.4	-121.0	-109.7	-136.1	-181.1	-214.6	-129.9	-122.1	-144.3	-130.5	-132.8	-143.1	-153.5
Of which: domestic primary balance [2]	-22.0	-40.9	-47.1	-39.9	-80.6	-84.6	-39.2	-36.6	-58.3	-43.6	-42.0	-45.2	-48.9
Including grants	-12.3	24.2	19.0	-6.1	-28.9	-34.0	2.8	5.4	-18.9	-5.9	-9.2	-20.4	-31.0
Net change in arrears ((-) = reduction)	-29.7	-29.5	-28.5	-36.4	-36.4	-18.8	0.0	0.0	-23.8	0.0	0.0	0.0	0.0
Domestic	-29.7	-29.5	-28.5	-36.4	-36.4	-18.8	0.0	0.0	-23.8	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	0.0	0.0
Errors and omissions	-7.6	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-49.6	-5.3	-9.4	-42.5	-65.3	-52.9	2.8	5.4	-42.6	-5.9	-9.2	-20.4	-31.0
Identified financing	49.6	5.3	9.9	42.5	62.9	52.9	-2.8	-5.4	42.6	5.9	9.2	20.4	31.0
External, net	18.7	6.5	3.8	10.3	10.3	17.7	1.8	1.8	3.2	-0.2	28.3	39.4	50.9
Project loans	24.4	12.2	9.5	15.7	15.7	22.3	7.5	7.5	8.8	7.5	7.5	10.0	11.8
Program loans[3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	35.0	45.0
Amortization	-5.7	-5.7	-5.7	-5.4	-5.4	-6.8	-5.7	-5.7	-5.6	-7.0	-3.5	-4.9	-5.9
Exceptional financing	0.0	0.0	0.0	0.0	0.0	2.2	0.0	0.0	0.0	-0.7	-0.7	-0.7	0.0
Domestic, net	30.9	-1.1	6.1	32.2	52.6	35.2	-4.6	-7.3	39.4	6.1	-19.1	-19.0	-19.9
Banking system	34.9	-1.1	6.1	32.2	52.6	30.5	-4.6	-7.3	33.9	6.1	-21.1	-21.0	-21.9
BEAC	35.4	1.8	5.6	35.2	55.6	33.4	-1.6	-4.2	36.9	6.1	-26.1	-26.0	-26.9
Loans/counterpart SDR	0.0	0.0	0.5	0.0	0.0	0.0	0.0	-7.3	0.0	-7.4	-7.5	-7.6	-7.8
Counterpart to IMF resources (BEAC)	27.8	26.3	11.1	14.7	46.6	27.2	14.3	15.1	33.2	10.2	-13.6	-20.2	-25.8
Deposit withdrawals	7.6	-24.5	-5.9	20.5	9.0	6.2	-15.9	-12.0	3.7	3.3	-5.0	1.8	6.7
Commercial banks	-0.5	-2.9	0.4	-3.0	-3.0	-3.0	-3.1	-3.1	-3.1	0.0	5.0	5.0	5.0
Nonbank	-4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0
Exceptional financing (CCRT) [4]	0.0	0.0	0.0	0.0	0.0	4.7	0.0	0.0	5.6	0.0	0.0	0.0	0.0
Residual financing need	0.0	...	-0.5	...	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Primary Spending	134.4	158.9	163.2	181.6	198.3	200.3	197.1	187.6	192.3	202.5	220.6	241.0	263.3
Total government debt	633.3	640.7	629.4	623.7	650.3	636.8	627.1	654.4	636.1	636.0	649.4	668.3	693.1
Government domestic currency debt [5]	162.0	140.8	147.8	101.5	100.8	129.8	91.0	90.9	103.0	95.6	95.2	94.6	93.8
Nominal GDP	1,266	1,360	1,334	1,464	1380.3	1,360	1,575	1,471	1,443	1,554	1,672	1,799	1,935

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

[1] Expenditure is on a cash basis.

[2] Excludes grants, interest payments, and externally-financed capital expenditure.

[3] Budget support loans to be identified from 2023 to 2024.

[4] This grant covers the first 12 months (2 tranches of 6 months) of the CCRT, i.e. 2020Q2-2020Q3 and 2020Q4-2021Q1.

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

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

(Percent of GDP)

	2018	2019		2020			2021			2022	2023	2024	2025
	Est.	ECF	Est.	ECF	RCF	Proj.	ECF	RCF	Proj.		Proj.		
Revenues	16.6	19.4	18.3	18.6	19.6	21.8	18.5	18.9	18.0	18.3	18.1	17.7	17.4
Domestic revenue	8.9	8.7	8.7	9.7	8.5	8.5	10.0	10.3	9.3	10.2	10.7	10.9	11.1
Tax revenue	8.1	7.6	7.8	7.9	7.1	7.1	8.3	8.5	7.6	8.3	8.7	8.9	9.1
Income and property tax	1.7	1.7	1.8	1.8	1.6	1.9	1.9	1.9	2.1	2.3	2.4	2.6	2.5
Taxes on goods and services	4.1	4.0	4.1	4.0	3.6	3.3	4.2	4.3	3.5	3.7	4.0	4.0	4.2
Of which: VAT	2.6	2.5	2.6	2.5	2.2	1.5	2.6	2.6	1.6	1.7	1.9	2.0	2.0
Taxes on international trade	2.3	1.9	2.0	2.1	1.9	1.8	2.3	2.3	2.0	2.3	2.4	2.3	2.4
Non-tax revenue	0.8	1.0	0.9	1.8	1.5	1.4	1.7	1.8	1.7	2.0	2.0	2.0	2.0
Grants	7.8	10.7	9.6	8.9	11.0	13.3	8.4	8.7	8.7	8.0	7.4	6.8	6.3
Program	3.0	6.0	6.0	3.7	5.2	5.7	3.4	3.7	3.7	3.2	2.7	2.2	1.8
Project	4.8	4.7	3.6	5.2	5.8	7.6	5.0	5.0	5.0	4.8	4.7	4.6	4.5
Expenditure [1]	17.6	17.6	16.9	19.0	21.7	24.3	18.3	18.6	19.3	18.6	18.6	18.8	19.0
Current primary expenditure	9.8	10.1	11.0	10.8	12.7	12.8	10.7	10.7	11.4	11.0	11.1	11.1	11.1
Wages and salaries	4.8	4.7	4.9	4.8	5.2	5.3	4.8	4.8	5.0	4.8	4.8	4.9	4.9
Transfers and subsidies	2.2	2.8	2.9	3.3	3.8	3.8	3.3	3.2	3.4	3.3	3.4	3.3	3.4
Goods and services	2.8	2.6	3.2	2.7	3.7	3.8	2.7	2.8	3.0	2.9	2.9	2.9	2.8
Interest	0.4	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
External	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Domestic	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Capital expenditure	7.4	7.1	5.6	7.9	8.7	11.1	7.3	7.6	7.5	7.3	7.3	7.5	7.6
Domestically financed	0.8	1.6	1.3	1.6	1.7	1.9	1.8	2.0	1.9	2.0	2.1	2.3	2.5
Externally financed	6.6	5.6	4.3	6.3	7.0	9.2	5.5	5.5	5.6	5.3	5.1	5.2	5.1
Overall balance													
Excluding grants	-8.7	-8.9	-8.2	-9.3	-13.1	-15.8	-8.2	-8.3	-10.0	-8.4	-7.9	-8.0	-7.9
Of which: domestic primary balance [2]	-1.7	-3.0	-3.5	-2.7	-5.8	-6.2	-2.5	-2.5	-4.0	-2.8	-2.5	-2.5	-2.5
Including grants	-1.0	1.8	1.4	-0.4	-2.1	-2.5	0.2	0.4	-1.3	-0.4	-0.6	-1.1	-1.6
Net change in arrears ((-) = reduction)	-2.3	-2.2	-2.1	-2.5	-2.6	-1.4	0.0	0.0	-1.6	0.0	0.0	0.0	0.0
Domestic	-2.3	-2.2	-2.1	-2.5	-2.6	-1.4	0.0	0.0	-1.6	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	0.0	0.0
Errors and omissions	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-3.9	-0.4	-0.7	-2.9	-4.7	-3.9	0.2	0.4	-3.0	-0.4	-0.6	-1.1	-1.6
Identified financing	3.9	0.4	0.7	2.9	4.6	3.9	-0.2	-0.4	3.0	0.4	0.6	1.1	1.6
External, net	1.5	0.5	0.3	0.7	0.7	1.3	0.1	0.1	0.2	0.0	1.7	2.2	2.6
Project loans	1.9	0.9	0.7	1.1	1.1	1.6	0.5	0.5	0.6	0.5	0.4	0.6	0.6
Program loans [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.9	2.3
Amortization	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5	-0.4	-0.4	-0.4	-0.4	-0.2	-0.3	-0.3
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic, net	2.4	-0.1	0.5	2.2	3.8	2.6	-0.3	-0.5	2.7	0.4	-1.1	-1.1	-1.0
Banking system	2.8	-0.1	0.5	2.2	3.8	2.2	-0.3	-0.5	2.3	0.4	-1.3	-1.2	-1.1
BEAC	2.8	0.1	0.4	2.4	4.0	2.5	-0.1	-0.3	2.6	0.4	-1.6	-1.4	-1.4
Loans/counterpart SDR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	-0.5	-0.4	-0.4	-0.4
Counterpart to IMF resources (BEAC)	2.2	1.9	0.8	1.0	3.4	2.0	0.9	1.0	2.3	0.7	-0.8	-1.1	-1.3
Deposit withdrawals	0.6	-1.8	-0.4	1.4	0.7	0.5	-1.0	-0.8	0.3	0.2	-0.3	0.1	0.3
Commercial banks	0.0	-0.2	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	0.0	0.3	0.3	0.3
Nonbank	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Exceptional financing (CCRT) [4]	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.4	0.0	0.0	0.0	0.0
Residual financing need	0.0	…	0.0	…	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Primary Spending	10.6	11.7	12.2	12.4	14.4	14.7	12.5	12.8	13.3	13.0	13.2	13.4	13.6
Total government debt	50.0	47.1	47.2	42.6	47.1	46.8	39.8	44.5	44.1	40.9	38.8	37.2	35.8
Government domestic debt [5]	12.8	10.4	11.1	6.9	7.3	9.5	5.8	6.2	7.1	6.2	5.7	5.3	4.8

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

[1] Expenditure is on a cash basis.

[2] Excludes grants, interest payments, and externally-financed capital expenditure.

[3] Budget support loans to be identifed from 2023 to 2024

[4] This grant covers the first 12 months (2 tranches of 6 months) of the CCRT, i.e. 2020Q2-2020Q3 and 2020Q4-2021Q1.

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

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

	2018	2019		2020						2021			2022	2023	2024	2025
				Q1	Q2	Q3	Q4	Q4	Q4							
	Est.	ECF	Est.	Est.	Est.	Proj.	ECF	RCF	Proj.	ECF	RCF	Proj.	Proj.	Proj.	Proj.	Proj.
	(CFAF billions, unless otherwise indicated)															
Net foreign assets	76.3	95.2	89.5	68.3	72.3	94.2	116.1	86.8	93.9	141.6	93.8	100.0	107.0	144.5	191.7	247.9
Bank of Central African States (BEAC)	52.1	65.4	37.4	30.1	22.0	42.5	84.0	32.8	40.7	107.1	36.3	43.6	46.2	79.1	121.3	172.2
Commercial banks	24.2	29.8	52.2	38.2	50.3	51.7	32.1	54.0	53.2	34.5	57.5	56.4	60.8	65.4	70.4	75.7
Net domestic assets	266.6	258.9	284.0	294.9	297.0	282.9	298.7	305.9	307.6	288.9	301.9	343.0	354.0	338.2	322.9	307.3
Domestic credit	374.5	374.8	385.4	414.4	416.1	394.1	415.4	423.5	411.0	423.2	427.2	452.7	472.0	465.2	459.6	454.3
Credit to the public sector	210.9	206.3	223.4	242.2	254.9	240.8	238.5	265.8	253.8	233.9	258.5	287.7	293.8	272.7	251.7	229.9
Credit to central government (net)	210.9	206.3	223.4	242.2	254.9	240.8	238.5	265.8	253.8	233.9	258.5	287.7	293.8	272.7	251.7	229.9
BEAC	200.47	202.2	212.5	228.6	247.9	233.3	237.4	264.7	245.9	235.9	260.5	282.9	288.9	262.8	236.8	209.9
Loans/counterpart SDR	115.9	115.9	116.4	116.6	116.1	116.9	115.9	115.9	116.4	108.6	108.6	116.4	109.0	101.5	93.9	86.1
IMF (net)	117.3	143.6	130.6	140.1	158.2	156.5	158.3	175.0	157.8	172.7	190.1	191.0	201.2	187.5	167.4	141.6
Deposits	-32.8	-57.3	-34.5	-28.1	-26.3	-40.0	-36.8	-26.3	-28.2	-45.4	-38.2	-24.5	-21.2	-26.2	-24.5	-17.7
Commercial banks	10.4	4.0	10.9	13.6	7.0	7.5	1.1	1.1	7.9	-2.0	-2.0	4.8	4.9	9.9	15.0	20.0
Credit to other public agencies (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	163.6	168.5	162.0	172.2	161.2	153.3	176.9	157.7	157.1	189.3	168.7	165.0	178.2	192.5	207.9	224.5
Public enterprises	3.6	3.6	4.4	4.9	5.0	5.0	3.6	3.6	4.4	3.6	3.6	4.4	4.4	4.4	4.4	4.4
Private sector	160.0	164.9	157.6	167.3	156.2	148.2	173.4	154.2	152.8	185.7	165.2	160.6	173.8	188.1	203.5	220.1
Other items (net)	-107.9	-115.9	-101.4	-119.5	-119.0	-111.2	-124.7	-117.6	-103.4	-134.2	-125.4	-109.7	-118.1	-127.1	-136.7	-147.0
Money and quasi-money	343.0	354.1	373.5	363.3	369.3	367.5	406.8	392.6	401.5	430.5	395.7	443.0	460.9	482.7	514.6	555.1
Currency	183.7	195.3	192.6	187.7	189.7	172.2	224.9	207.7	210.0	238.1	208.5	249.8	248.9	253.8	264.8	298.0
Deposits	159.3	158.8	181.0	175.6	179.6	195.3	181.9	185.0	191.5	192.4	187.1	193.2	212.0	228.8	249.8	257.1
Demand deposits	97.8	94.1	118.5	113.0	117.7	133.0	113.2	120.2	128.8	118.5	118.1	126.7	140.4	151.8	166.9	185.5
Term and savings deposits	61.5	64.7	62.5	62.6	61.9	62.3	68.7	64.7	62.7	73.9	69.0	66.5	71.6	77.1	82.9	71.6
	(Annual percentage change)															
Net foreign assets	-26.4	19.2	17.3	0.2	-29.1	13.7	22.0	-2.8	4.9	22.0	8.1	6.5	7.0	35.1	32.6	29.3
Net domestic assets	35.3	-1.6	6.5	2.9	24.7	8.0	12.3	17.5	8.3	-0.6	-1.3	11.5	3.2	-4.5	-4.5	-4.8
Monetary base	12.1	7.4	0.3	16.1	7.1	-1.0	2.6	-1.6	-3.1	7.6	6.6	6.1	7.7	7.6	7.6	7.6
Credit to the economy	11.5	3.0	-1.0	4.7	-1.4	-2.3	5.0	-2.0	-3.0	7.0	7.0	5.0	8.0	8.0	8.0	8.0
Public enterprises	204.5	0.0	23.3	37.1	17.9	14.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	9.9	3.1	-1.5	4.0	-1.9	-2.8	5.1	-2.0	-3.1	7.1	7.1	5.1	8.3	8.2	8.2	8.2
Memorandum items:																
NDA of the central bank (CFAF billions)	174.8	178.4	190.2	202.6	226.1	201.5	166.2	202.7	179.9	162.2	214.7	190.5	205.9	192.1	170.5	141.7
Monetary base (CFAF billions)	226.9	243.7	227.5	232.7	248.0	234.3	250.2	235.5	220.6	269.3	251.0	234.0	252.0	271.2	291.7	313.8
Nominal GDP (CFAF billions)	1265.7	1360	1334	…	…	…	1464.0	1380.3	1360	1575	1471	1443	1554	1672	1799	1935
Velocity (GDP/broad money)																
End of period	3.7	3.8	3.6	…	…	…	3.6	3.5	3.4	3.7	3.7	3.3	3.4	3.5	3.5	3.5

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

Table 4a. Central African Republic: Balance of Payments, 2018–25
(Billions of CFAF)

	2018	2019		2020			2021			2022	2023	2024	2025
	Est.	ECF	Est.	ECF	RCF	Proj.	ECF	RCF	Proj.				
Current account	-100.8	-76.5	-65.7	-92.5	-78.2	-102.9	-83.5	-76.9	-88.1	-87.3	-92.4	-99.4	-107.6
Balance on goods	-188.5	-207.1	-206.0	-206.8	-206.4	-224.0	-208.2	-199.9	-207.9	-216.9	-219.0	-231.5	-240.2
Exports, f.o.b.	91.1	93.6	94.1	108.1	82.6	76.7	116.0	95.3	85.0	99.6	114.7	131.4	149.6
of which: Diamonds	5.0	4.4	2.8	6.2	4.4	2.2	8.1	5.9	3.1	4.2	5.6	7.8	10.0
of which: Wood products	56.8	55.9	58.0	65.2	41.1	46.5	67.9	50.3	53.4	60.9	72.0	80.0	90.2
Imports, f.o.b.	-279.6	-300.6	-300.1	-314.9	-288.9	-300.7	-324.3	-295.1	-293.0	-316.6	-333.7	-362.9	-389.7
of which: Petroleum products	-87.5	-91.6	-91.3	-90.4	-61.3	-63.6	-86.3	-63.2	-65.2	-69.4	-75.9	-93.5	-104.4
Services (net)	-36.6	-38.7	-38.7	-36.8	-32.6	-39.6	-34.9	-34.4	-37.8	-31.2	-40.2	-44.6	-48.6
Credit	110.7	116.1	116.1	121.9	115.7	108.6	128.0	121.2	119.9	133.8	135.9	137.9	146.1
Debit	-147.3	-154.8	-154.8	-158.7	-148.2	-148.2	-162.8	-155.6	-157.7	-165.1	-176.0	-182.5	-194.7
Income (net)	-1.6	-1.9	-1.9	-2.2	-1.9	-2.2	-2.1	-1.8	-2.1	-1.9	-1.8	-1.7	-0.8
Credit	12.6	13.1	12.9	13.8	13.1	12.9	14.5	13.6	13.4	14.1	14.8	15.5	16.5
Debit	-14.1	-15.1	-14.9	-15.9	-15.0	-15.1	-16.6	-15.4	-15.4	-16.0	-16.5	-17.2	-17.3
Transfers (net)	125.9	171.2	180.9	153.3	162.6	162.9	161.7	159.2	159.7	162.8	168.5	178.4	181.8
Private	70.6	71.7	83.1	76.2	67.7	62.1	80.9	78.4	79.6	82.1	90.3	102.5	107.6
Official	55.3	99.5	97.8	77.1	94.9	100.7	80.8	80.8	80.2	80.7	78.2	75.9	74.2
of which: Program	37.5	81.9	80.2	54.1	71.9	77.7	53.9	53.9	53.3	50.0	45.0	40.0	35.4
Capital account	60.6	63.3	48.5	75.9	80.3	102.8	78.8	73.6	72.1	74.6	78.6	82.7	87.1
Project grants	60.6	63.3	48.5	75.9	80.3	102.8	78.8	73.6	72.1	74.6	78.6	82.7	87.1
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	0.0	0.0
Financial account	37.6	26.5	23.8	35.3	-8.7	-3.5	27.8	6.8	13.2	16.0	47.5	59.6	71.4
Direct investment	10.0	15.0	15.0	20.0	6.0	6.0	22.0	15.0	15.0	20.5	23.5	24.5	25.5
Portfolio investment	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	27.4	11.5	8.8	15.3	-14.7	-9.5	5.8	-8.2	-1.8	-4.5	24.0	35.1	45.9
Public sector (net)	18.7	6.5	3.8	10.3	10.3	15.5	1.8	1.8	3.2	0.5	29.0	40.1	50.9
Project disbursement	24.4	12.2	9.5	15.7	15.7	22.3	7.5	7.5	8.8	7.5	7.5	10.0	11.8
Program disbursement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	35.0	45.0
Scheduled amortization	-5.7	-5.7	-5.7	-5.4	-5.4	-6.8	-5.7	-5.7	-5.6	-7.0	-3.5	-4.9	-5.9
Monetary authorities (SDR allocation)	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
Other short-term flows	8.7	5.0	5.0	5.0	-25.0	-25.0	4.0	-10.0	-5.0	-5.0	-5.0	-5.0	-5.0
Errors and omissions	-19.4	0.0	-21.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-22.0	13.3	-14.7	18.7	-6.6	-3.6	23.1	3.5	-2.7	3.4	33.7	42.9	50.8
Identified financing	22.0	-13.3	14.7	-18.6	4.2	3.6	-23.1	-3.5	2.7	-3.4	-33.7	-42.9	-50.8
Net IMF credit	27.8	26.3	11.1	14.7	46.6	27.2	14.3	15.1	33.2	10.2	-13.6	-20.2	-25.8
IMF purchase	-35.9	-27.9	-18.5	-19.1	-51.6	-32.1	-19.1	-19.3	-37.3	-18.6	0.0	0.0	0.0
IMF repurchase	8.1	1.6	7.4	4.4	4.9	4.9	4.8	4.2	4.0	8.5	13.6	20.2	25.8
Other reserves (increase = -)	-5.8	-39.6	3.6	-33.4	-42.4	-30.5	-37.4	-18.6	-36.1	-12.8	-19.3	-22.0	-25.0
Exceptional financing	0.0	0.0	0.0	0.0	0.0	6.9	0.0	0.0	5.6	-0.7	-0.7	-0.7	0.0
Debt rescheduling	0.0	0.0	0.0	0.0	0.0	2.2	0.0	0.0	0.0	-0.7	-0.7	-0.7	0.0
Other exceptional financing (CCRT) [1]	0.0	0.0	0.0	0.0	0.0	4.7	0.0	0.0	5.6	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	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Terms of trade (percent change)	-12.5	12.7	14.7	3.5	-0.1	-19.6	2.2	5.9	5.3	2.4	3.0	1.2	3.8
Unit price of exports	-3.5	9.8	10.7	0.6	-2.6	-18.8	1.2	3.5	2.5	5.8	2.3	4.0	4.6
Unit price of imports	10.2	-2.6	-3.5	-2.9	-2.5	0.9	-1.0	-2.3	-2.7	3.3	-0.7	2.8	0.8
Current account (percent of GDP)	-8.0	-5.6	-4.9	-6.3	-5.7	-7.6	-5.3	-5.2	-6.1	-5.6	-5.5	-5.5	-5.6
Capital account (percent of GDP)	4.8	4.7	3.6	5.2	5.8	7.6	5.0	5.0	5.0	4.8	4.7	4.6	4.5
Nominal GDP (CFAF billions)	1,266	1,360	1,334	1,464	1,380	1,360	1,575	1,471	1,443	1,554	1,672	1,799	1,935

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

[1] This grant covers the first 12 months (2 tranches of 6 months) of the CCRT, i.e. 2020Q2-2020Q3 and 2020Q4-2021Q1.

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

(Percent of GDP)

	2018	2019		2020			2021			2022	2023	2024	2025
	Est.	ECF	Est.	ECF	RCF	Proj.	ECF	RCF	Proj.				
Current account	-8.0	-5.6	-4.9	-6.3	-5.7	-7.6	-5.3	-5.2	-6.1	-5.6	-5.5	-5.5	-5.6
Balance on goods	-14.9	-15.2	-15.4	-14.1	-14.9	-16.5	-13.2	-13.6	-14.4	-14.0	-13.1	-12.9	-12.4
Exports, f.o.b.	7.2	6.9	7.1	7.4	6.0	5.6	7.4	6.5	5.9	6.4	6.9	7.3	7.7
of which: Diamonds	0.4	0.3	0.2	0.4	0.3	0.2	0.5	0.4	0.2	0.3	0.3	0.4	0.5
of which: Wood products	4.5	4.1	4.3	4.5	3.0	3.4	4.3	3.4	3.7	3.9	4.3	4.4	4.7
Imports, f.o.b.	-22.1	-22.1	-22.5	-21.5	-20.9	-22.1	-20.6	-20.1	-20.3	-20.4	-20.0	-20.2	-20.1
of which: Petroleum products	-6.9	-6.7	-6.8	-6.2	-4.4	-4.7	-5.5	-4.3	-4.5	-4.5	-4.5	-5.2	-5.4
Services (net)	-2.9	-2.8	-2.9	-2.5	-2.4	-2.9	-2.2	-2.3	-2.6	-2.0	-2.4	-2.5	-2.5
Credit	8.7	8.5	8.7	8.3	8.4	8.0	8.1	8.2	8.3	8.6	8.1	7.7	7.6
Debit	-11.6	-11.4	-11.6	-10.8	-10.7	-10.9	-10.3	-10.6	-10.9	-10.6	-10.5	-10.1	-10.1
Income (net)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0
Credit	1.0	1.0	1.0	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Debit	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.0	-1.1	-1.0	-1.0	-1.0	-0.9
Transfers (net)	9.9	12.6	13.6	10.5	11.8	12.0	10.3	10.8	11.1	10.5	10.1	9.9	9.4
Private	5.6	5.3	6.2	5.2	4.9	4.6	5.1	5.3	5.5	5.3	5.4	5.7	5.6
Official	4.4	7.3	7.3	5.3	6.9	7.4	5.1	5.5	5.6	5.2	4.7	4.2	3.8
of which: Program	3.0	6.0	6.0	3.7	5.2	5.7	3.4	3.7	3.7	3.2	2.7	2.2	1.8
Capital account	4.8	4.7	3.6	5.2	5.8	7.6	5.0	5.0	5.0	4.8	4.7	4.6	4.5
Project grants	4.8	4.7	3.6	5.2	5.8	7.6	5.0	5.0	5.0	4.8	4.7	4.6	4.5
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	3.0	1.9	1.8	2.4	-0.6	-0.3	1.8	0.5	0.9	1.0	2.8	3.3	3.7
Direct investment	0.8	1.1	1.1	1.4	0.4	0.4	1.4	1.0	1.0	1.3	1.4	1.4	1.3
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.2	0.8	0.7	1.0	-1.1	-0.7	0.4	-0.6	-0.1	-0.3	1.4	2.0	2.4
Public sector (net)	1.5	0.5	0.3	0.7	0.7	1.1	0.1	0.1	0.2	0.0	1.7	2.2	2.6
Project disbursement	1.9	0.9	0.7	1.1	1.1	1.6	0.5	0.5	0.6	0.5	0.4	0.6	0.6
Program disbursement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.9	2.3
Scheduled amortization	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5	-0.4	-0.4	-0.4	-0.4	-0.2	-0.3	-0.3
Monetary authorities (SDR allocation)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other short-term flows	0.7	0.4	0.4	0.3	-1.8	-1.8	0.3	-0.7	-0.3	-0.3	-0.3	-0.3	-0.3
Errors and omissions	-1.5	0.0	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-1.7	1.0	-1.1	1.3	-0.5	-0.3	1.5	0.2	-0.2	0.2	2.0	2.4	2.6
Identified financing	1.7	-1.0	1.1	-1.3	0.3	0.3	-1.5	-0.2	0.2	-0.2	-2.0	-2.4	-2.6
Net IMF credit	2.2	1.9	0.8	1.0	3.4	2.0	0.9	1.0	2.3	0.7	-0.8	-1.1	-1.3
IMF purchase	-2.8	-2.0	-1.4	-1.3	-3.7	-2.4	-1.2	-1.3	-2.6	-1.2	0.0	0.0	0.0
IMF repurchase	0.6	0.1	0.6	0.3	0.4	0.4	0.3	0.3	0.3	0.5	0.8	1.1	1.3
Other reserves (increase = -)	-0.5	-2.9	0.3	-2.3	-3.1	-2.2	-2.4	-1.3	-2.5	-0.8	-1.2	-1.2	-1.3
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.4	0.0	0.0	0.0	0.0
Debt rescheduling	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional financing (CCRT) [1]	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.4	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	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Terms of trade (percent change)	-12.5	12.7	14.7	3.5	-0.1	-19.6	2.2	5.9	5.3	2.4	3.0	1.2	3.8
Unit price of exports	-0.3	0.7	0.8	0.0	-0.2	-1.4	0.4	0.2	0.2	0.4	0.1	0.2	0.2
Unit price of imports	0.8	-2.6	-3.5	-0.2	-0.2	0.1	0.2	0.0	-0.2	0.2	0.0	0.2	0.0
Nominal GDP (CFAF billions)	1,266	1,360	1,334	1,464	1,380	1,360	1,575	1,471	1,443	1,554	1,672	1,799	1,935

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

[1] This grant covers the first 12 months (2 tranches of 6 months) of the CCRT, i.e. 2020Q2-2020Q3 and 2020Q4-2021Q1.

Table 5. Central African Republic: External Financing Requirements, 2020–25

(Billions of CFAF)

	2020	2021	2022	2023	2024	2025
	Projection					
1. Total financing requirements	222.9	187.1	165.5	173.8	186.5	199.8
Current account deficit (excl. budget support)	180.6	141.4	137.3	137.4	139.4	143.0
Debt amortization	6.8	5.6	7.0	3.5	4.9	5.9
Repayment to the Fund	4.9	4.0	8.5	13.6	20.2	25.8
Change in other reserves	30.5	36.1	12.8	19.3	22.0	25.0
2. Total available financing	106.1	91.0	97.6	104.6	112.2	119.4
Capital transfers	102.8	72.1	74.6	78.6	82.7	87.1
Foreign direct investment (net)	6.0	15.0	20.5	23.5	24.5	25.5
Portfolio investment (net)	0.0	0.0	0.0	0.0	0.0	0.0
Debt financing	22.3	8.8	7.5	7.5	10.0	11.8
Public Sector	22.3	8.8	7.5	7.5	10.0	11.8
Other net capital inflows	-25.0	-5.0	-5.0	-5.0	-5.0	-5.0
3. Financing gap	**116.8**	**96.1**	**67.9**	**69.3**	**74.3**	**80.4**
4. Expected sources of financing	77.7	53.3	50.0	70.0	75.0	80.4
of which: Budget support (grants)	77.7	53.3	50.0	45.0	40.0	35.4
World Bank	43.9	27.9	...	...	...	...
African Development Bank	8.5	0.0	...	...	...	...
European Union	18.8	18.8	...	...	...	...
France	6.6	6.6	...	...	...	...
Other	0.0	0.0	...	...	...	...
of which: Budget support (loans)[1]	0.0	0.0	0.0	25.0	35.0	45.0
5. Residual financing gap	39.0	42.8	17.9	-0.7	-0.7	0.0
ECF program[2]	9.6	37.3	18.6	0.0	0.0	0.0
RCF	22.5	0.0	0.0	0.0	0.0	0.0
CCRT	4.7	5.6	0.0	0.0	0.0	0.0
G20 DSSI [3]	2.2	0.0	-0.7	-0.7	-0.7	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0

Source: IMF staff projections.

[1] Budget support loans to be identified.

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

[3] Under the G20 Debt service suspension initiative, debt service payments to G20 creditors due from May-December 2020 are postponed to 2022-24.

Table 6. Central African Republic: Sustainable Development Goals, 2000–19

Goal	Indicator	2000	2008	2016	2017	2018	2019
1	*No poverty*						
	Poverty headcount ratio at $1.90 a day (2011 PPP) (% of population)	...	66.3	...	...	...	...
2	*Zero hunger*						
	Prevalence of undernourishment (% of population)	42.5	33.7	59.8	59.6	...	...
3	*Good health and wellbeing*						
	Maternal mortality ratio (modeled estimate, per 100,000 live births)	1280	1090	890	829	...	...
4	*Quality education*						
	Primary completion rate, female (% of relevant age group)	...	26.0	32.8	...	...	...
	Primary completion rate, male (% of relevant age group)	...	43.6	48.9	...	...	...
	Primary completion rate, total (% of relevant age group)	...	34.8	40.9	...	...	...
5	*Gender equality*						
	Proportion of seats held by women in national parliaments (%)	7.3	10.5	7.2	8.6	8.6	8.6
6	*Clean water and sanitation (not available)*						
7	*Affordable and clean energy*						
	Access to electricity (% of population)	6.0	9.7	27.1	29.8	32.4	...
8	*Decent work and economic growth*						
	GDP per capita growth (annual %)	-4.7	0.3	3.7	3.2	2.2	1.3
9	*Industry, innovation, and infrastructure*						
	Manufacturing, value added (% of GDP)	...	...	19.5	18.4	18.1	18.6
	Manufacturing, value added (annual % growth)	...	...	4.2	1.0	-0.9	10.8
10	*Reduced inequalities*						
	Foreign direct investment, net inflows (% of GDP)	0.1	5.9	0.4	0.3	0.8	...
11	*Sustainable cities and communities*						
	Urban population (% of total)	37.6	38.5	40.6	41.0	41.4	41.8
12	*Responsible consumption and production*						
	Mineral rents (% of GDP)	0.0	0.0	0.1	0.1	...	...
	Coal rents (% of GDP)	0.0	0.0	0.0	0.0	...	...
	Forest rents (% of GDP)	11.2	11.8	14.0	13.5	...	...
13	*Climate action (not available)*						
14 & 15	*Life below water; life on land*						
	Terrestrial and marine protected areas (% of total territorial area)	...	...	18.1	18.1	18.1	...
	Terrestrial protected areas (% of total land area)	...	...	18.1	18.1	18.1	...
16	*Peace and justice: strong institutions*						
	Battle-related deaths (number of people)	...	...	...	...	47	...
17	*Partnerships for the goals*						
	Internet users (per 100 people)	0.1	1.0	4.0	4.3	...	...

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

Table 7. Central African Republic: BOP and Budget Support, 2020–21

	Commitments for 2020		Projections for 2021		Purpose
		CFA francs, bn		CFA francs, bn	
IMF	SDR 39.79 million	32.1	SDR 47.74 million	37.3	BoP support
World Bank	US$ 75 million	43.9	US$ 50 million	27.9	Budget support
African Development Bank	US$ 10 million	8.5	US$ 0 million	0.0	Budget support
European Union	€ 28.7 million	18.8	€ 28.6 million	18.8	Budget support
France	€ 10 million	6.6	€ 10 million	6.6	Budget support
Total		109.8		90.6	
excluding IMF		**77.7**		**53.3**	

Table. 8 Central African Republic: Indicators of Capacity to Repay the IMF, 2020–30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
IMF obligations based on existing credit											
(SDR millions)											
Principal [1]	0.00	3.76	10.86	17.49	25.79	32.94	34.69	30.88	20.47	12.53	3.98
Charges and interest	0.00	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
IMF obligations based on existing and prospective credit											
(SDR millions)											
Principal [1]	0.00	3.76	10.86	17.49	25.79	32.94	38.27	41.62	34.79	26.85	18.30
Charges and interest	0.00	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
IMF obligations based on existing and prospective credit											
(CFA billions)											
Principal [1]	0.00	3.06	8.85	14.25	21.02	26.85	31.19	33.92	28.35	21.88	14.91
Charges and interest	0.00	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Outstanding IMF Credit											
SDR Millions	193.4	237.4	250.4	232.9	207.1	174.2	135.9	94.3	59.5	32.6	14.3
CFAF Billions	152.7	185.0	195.1	181.8	162.0	136.6	106.5	73.9	46.6	25.6	11.2
Percent of government revenue	132.0	138.1	122.7	101.8	82.8	63.7	45.5	29.0	16.9	8.5	3.5
Percent of exports of goods and services	82.4	90.2	83.5	72.5	60.2	46.2	32.7	20.9	12.2	6.3	2.6
Percent of debt services	1062.7	1260.7	928.8	804.1	523.9	364.7	276.0	202.9	170.6	124.4	83.8
Percent of GDP	11.2	12.8	12.6	10.9	9.0	7.1	5.1	3.3	2.0	1.0	0.4
Percent of quota	173.6	213.1	224.7	209.1	185.9	156.3	122.0	84.6	53.4	29.3	12.9
Net use of IMF credit (SDR millions)											
Disbursements	39.8	47.7	23.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	0.0	3.8	10.9	17.5	25.8	33.0	38.3	41.7	34.8	26.9	18.4
Memorandum items:											
Nominal GDP (billions of CFA francs)	1360.0	1442.9	1553.7	1671.9	1798.7	1934.9	2075.3	2219.5	2377.7	2541.9	2715.3
Exports of goods and services (billions of CFA francs)	185.3	205.0	233.5	250.6	269.3	295.7	326.3	354.2	381.0	408.5	436.5
Government revenue (billions of CFA francs)	115.7	133.9	159.0	178.6	195.8	214.4	234.3	254.5	276.5	300.1	325.5
Debt service (billions of CFA francs)	14.4	14.7	21.0	22.6	30.9	37.4	38.6	36.4	27.3	20.6	13.4
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.

[1] The repayments of principal include the first and second tranches of the CCRT (2020Q2-2021Q1)

Table 9. Central African Republic: Financial Soundness Indicators, 2012–20

Concept	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Jun-19	Dec-19	May-20
Capital Adequacy										
Total bank regulatory capital to risk-weighted assets	22.7	39.1	42.2	38.7	32.0	34.3	28.5	31.4	30.3	28.0
Total capital (net worth) to assets	22.2	23.7	21.9	21.1	19.2	21.0	21.3	21.0	20.0	19.9
Asset Quality										
Non-performing loans to total loans	9.6	28.5	27.7	30.9	25.6	22.9	15.6	19.1	12.6	13.7
Non-performing loans net of provision to capital	1.6	50.0	44.4	34.9	18.7	4.3	0.6	7.4	6.0	7.4
Earnings and Profitability										
Net income to average assets (ROA)	4.5	-1.3	0.9	-0.9	0.5	0.9	2.0	2.5	2.0	...
Net income to average capital (ROE)	20.7	-5.4	3.8	-4.0	2.4	4.8	9.3	12.1	9.7	...
Non interest expense to gross income	64.0	79.5	73.6	72.8	71.9	88.6	92.8	71.7	63.9	...
Liquidity										
Liquid assets to total assets	16.6	19.2	27.5	40.0	31.9	30.7	29.9	27.6	26.3	21.9
Liquid assets to short-term liabilities	114.5	149.1	203.1	276.1	219.6	227.4	198.6	182.7	165.8	132.6

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

Table 10. Central African Republic: Schedule of Disbursements, 2019–22[1]

Condition for Disbursement	Availability Date	Amount of Disbursement	
		Millions of SDR	Percent of quota [2]
First disbursement upon program approval.	December 20, 2019	SDR 11.936 million	10.7
Second disbursement upon observance of the performance criteria for December 31, 2019 and the continuous performance criteria, and the completion of the first review.	April 30, 2020	SDR 11.936 million	10.7
Third disbursement upon observance of the performance criteria for June 30, 2020 and the continuous performance criteria, and the completion of the second review.	October 30, 2020	SDR 11.936 million	10.7
Fourth disbursement upon observance of the performance criteria for December 31, 2020 and the continuous performance criteria, and the completion of the third review.	April 30, 2021	SDR 11.936 million	10.7
Fifth disbursement upon observance of the performance criteria for June 30, 2021 and the continuous performance criteria, and the completion of the fourth review.	October 29, 2021	SDR 11.936 million	10.7
Sixth disbursement upon observance of the performance criteria for December 31, 2021 and the continuous performance criteria, and the completion of the fifth review.	April 29, 2022	SDR 11.936 million	10.7
Seventh disbursement upon observance of the performance criteria for June 30, 2022 and the continuous performance criteria and the completion of the sixth review.	October 31, 2022	SDR 11.934 million	10.7
Total		SDR 83.55 million	75.0

[1] On April 2020, the IMF Executive Board approved a disbursement of SDR 27.85 million under the Rapid Credit Facility (RCF) .

[2] C.A.R's quota is SDR 111.4 million

Table 11. Central African Republic: Risk Assessment Matrix			
Sources of Risks	**Relative Likelihood**	**Impact If Realized**	**Policy Response if Materialized**
Unexpected shift in the Covid-19 pandemic	**High**	**High** Further disruption to C.A.R. social and economic outlook, through lower trade, domestic demand and health crisis.	Prioritize government spending and mobilize additional grant financing to continue the implementation of the comprehensive response plan and of other priority expenditures.
Widespread social discontent and political instability	**High**	**Medium** Social tensions and inadequate policy response threaten global confidence and demand, with adverse effects on the price of C.A.R. exports.	Intensify structural reform and improve business environment to support diversification.
Accelerating de-globalization	**High**	**Medium** Falling export demand would likely reduce exports and fiscal revenue, increasing fiscal risks.	Intensify structural reforms and improve business environment to support diversification.
Deterioration of security situation	**High**	**High** Intensifying humanitarian crisis, decline in confidence, investment and business activity, lower economic growth.	Make room for more security-related spending. Accelerate the implementation of the RCPCA to advance peace, security and reconciliation.
Limited institutional and human resources capacity	**High**	**High** Weak implementation of the reform program and TA recommendations could undermine confidence and reduce growth	Improving TA effectiveness by strengthening the role of the coordinating unit and by making sure to have a well-prioritized reform agenda for which targeted TA is requested.

Table 11. Central African Republic: Risk Assessment Matrix[1] (concluded)

Delayed delivery of external financial assistance	**Medium**	**Medium** Negative effects on investment, growth and employment, and poverty. Less financing could undermine macroeconomic stability.	Strengthen external support through comprehensive reform implementation and communicating the needs of C.A.R.'s development strategy (RCPCA).
Oversupply and volatility in the oil market	**Medium**	**High** Revenue generated by oil taxation is important in C.A.R. An increase in international prices would lead to lower oil revenues.	Simplify the price structure of petroleum products to limit revenue losses and the need to adjust retail prices
Less efforts in setting up reforms as elections get closer	**Medium**	**Medium** Fiscal slippages (more public spending and less revenue mobilization) and resistance to reforms	Intensify structural reform and build fiscal buffers

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short-term" and "medium-term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Annex I. The Authorities' Response to the Pandemic

The containment measures, initially introduced after the first case of the virus was confirmed on March 14, were less restrictive than those adopted by other African countries. Notably, a general stay-at-home order was never imposed. However, schools were closed. Bars and restaurants were also ordered to close, and attempts were made to enforce existing passenger limits for commercial transportation. Commercial air travel, and religious and public gatherings of more than 15 people were banned. Truck drivers crossing the border from Cameroon, through which the bulk of landlocked CAR's imports and exports transit, were tested for the virus. The majority of the first round of transmission occurred from this source.

The government came up with a strategy to fight the pandemic consisting of three axes—health-, socio-economic-, and security-related. The health response plan, prepared in collaboration with the WHO, aims to rehabilitate the country's derelict health infrastructure and enhance capacity to conducting testing and care for victims. The authorities initially conducted free mass testing for the virus, setting up a walk-in testing center in the capital city. As supply of testing kits decreased, testing has since been limited to people with a medical prescription.

The socio-economic axis of the government's response strategy seeks to provide support for vulnerable households and private enterprises impacted by the pandemic, but the main elements have yet to be clearly articulated. The security axis aims to bolster physical security across the country, a challenge predating the pandemic.

Donors have been providing support to fight the pandemic. Early on, the Chinese philanthropist, Jack Ma, donated testing kits, protective equipment, and other materials. The government of China has been making similar donations. Last April, the Fund approved a $38 million disbursement under the Rapid Credit Facility to support the health and socio-economic response to the pandemic. It also approved $4 million in debt relief under the Catastrophic Containment and Relief Facility, with a second six-month tranche of $3.9 million expected to be approved. The World Bank donated $7.5 million towards the preparation and implementation of the government's health sector response plan. It also increases its budget support by $25 million and is financing the production of 100 million masks by local artisans, thereby boosting income generation opportunities. The African Development Bank donated $14.3 million to support the health sector response plan. The WHO assisted the government in formulating the health sector response to the pandemic. The EU brought forward disbursement of its budget support for 2020 and provided an additional €8 million in material support. The UN peacekeeping mission has been providing logistical support to the government especially in monitoring containment measures along the trade corridor with Cameroon. The mission and France have also been instrumental in efforts to install the physical distancing and other preventive facilities required to reopen the airport to commercial flights.

Annex II. Domestic Revenue Mobilization[1]

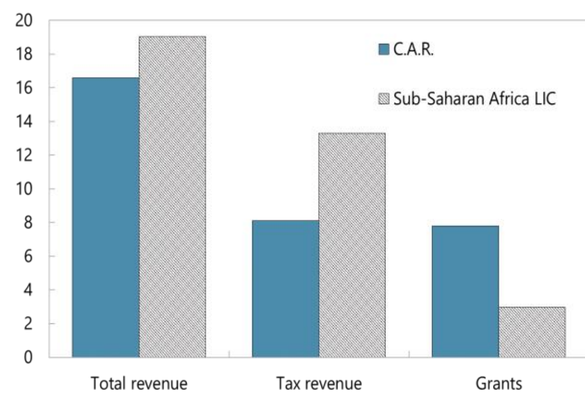
INTRODUCTION

1. **The mobilization of domestic revenue is a critical challenge for the sustainability of the Central African Republic's (C.A.R.) development agenda.** There are two main reasons for this. First and foremost, from a social contract point of view, improving social consensus on the consent to pay taxes is critical to escape from a fragility/conflict situation (Gaspar, Jaramillo, and Wingender, 2016). Further, mobilizing revenue beyond a certain threshold (estimated at about 12 ¾ of GDP by Gaspar, Jaramillo, and Wingender, 2016) can trigger a "virtuous cycle" where the mobilization of revenue can lead to a significant impact on spending and its efficiency, eventually leading to higher growth potential and correspondingly higher revenue.

2. **Currently, C.A.R. has a low revenue base, making the country dependent on foreign aid and limiting its capacity to finance a level of spending consistent with achieving its developments goals**. Even accounting for substantial grants, C.A.R. 's government revenue is low at about 16.6 percent of GDP in 2018, compared to an average of 19.0 percent for Sub-Saharan African low-income countries (Figure 1). In particular, tax mobilization is significantly below the threshold of 12 ¾ percent of GDP at 8.1 percent of GDP. The very low level is only partly offset by the high level of grants (7.8 percent of GDP, against an average of 3 percent of GDP for SSA LICs) provided by the international community to assist C.A.R. in meeting its peace and development objectives.

Figure 1. Government Revenue Mobilization in C.A.R. and SSA Low-Income Countries, 2019

(Percent of GDP)



Sources: C.A.R. authorities, and WEO.

3. **The purpose of this study is to propose a medium-term strategy for domestic revenue mobilization in C.A.R., to inform discussions with countries authorities**.

[1] Prepared by O. Basdevant, O. Benon, G. Montagnat-Rentier, and A. Ramarozatovo. The whole team would like to express its deep gratitude to the work of Stéphane Schlotterbeck, who left us recently, and who, through many years and despite illness, continued relentlessly to provide an outstanding support to domestic revenue mobilization in C.A.R.

GOOD PRACTICES IN MEDIUM-TERM STRATEGIES FOR REVENUE MOBILIZATION

4. **Cross-country experiences show that successful revenue mobilization can achieve large improvements throughout the medium term**. Indeed, Akitoby, Honda and Primus (2020) document how a number of fragile states managed to increase domestic revenue by a very large magnitude, from 7.5 to 19.7 percentage points of GDP over a span of 9 to 12 years or 0.8 to 1.7 percentage point of GDP annually.[2] Country experiences suggest, however, that these results come with two caveats. First, as noted above, it can take a long time (about a decade) to make significant headways, and as such requires continued political—and social—support for the revenue mobilization efforts. In turn, such a continued effort would require not only pro-active communication to engage on a continuous basis the civil society and key stakeholders (including businesses), to ensure that revenue reforms are understood and accepted (see Basdevant et al., 2020). Second, it also requires continued efforts to improve governance and transparency and to ensure that mobilized funds go to the intended purposes with adequate oversight from the population, NGOs, and donors. As such, revenue mobilization efforts should not be seen separately from a broader strategy to improve the delivery of public services to those who need them the most.

5. **Successful medium-term revenue strategies would rely on four main axes:**

- **Simplify the tax system and curb exemptions**. A simple tax system, which is easy to comply and difficult to evade / avoid, is critical to fostering taxpayer compliance. Removing exemptions can also reduce the tax system's complexity while boosting revenue by broadening the tax base. Reducing exemptions figured prominently in nearly almost all reform countries. This type of reform is relevant for C.A.R., particularly through the removal of ad-hoc tax exemptions and parafiscal taxes (see below).

- **Introduce comprehensive revenue administration reforms:** In most cases, revenue administration reforms figured prominently and covered a broad spectrum of legal, technical, and administrative measures, such as (i) management, governance, and human resources changes; (ii) segmentation of taxpayers and establishment of specialized units (e.g. large taxpayer offices)**;** (iii) smart use of information management systems; (iv) modernization of registration, filing, and management of payment obligations; and (v) enhanced audit and verification programs based on risks.

- **Stakeholders must take ownership of the tax reform package**. It is important to adopt an "inclusive" approach to policy making whereby all stakeholders are part of the public consultation process and fully understand the various economic implications of the reforms.

[2] Numbers derived from a case study of 4 countries: Liberia, Malawi, Nepal, and Solomon Islands (Akitoby, Honda, and Primus, 2020).

- **Countries must give revenue reforms time to bear fruit.** The duration of reforms episodes ranges from two to about ten years since sustained success requires institutional change, which happens only gradually. Comprehensive tax reforms may take years before its gains become visible. Given the four- or five-year political cycle in most democratic societies, political executives have a greater incentive to engage in tax reform if the gains are visible by the time of the next election. Towards the end of the political cycle it is often difficult to push-back any resistance.

ELEMENTS OF A STRATEGY FOR C.A.R.

6. **C.A.R. has been engaged in significant mobilization of revenue** (Table 1). Since the low point reached in 2014, right after the end of the civil conflict, revenue collection increased by 3.8 percentage point of GDP, to reach 8.7 percent of GDP (an increase of 77 percent compared to the collection of 2014). The increase was driven by across-the-board improvement in tax collection. With C.A.R. tax rates being comparable to regional levels, the bulk of the improvement has been from revenue and customs administration improvements, including through digitalization efforts, broadening VAT and excises tax-base, applying legislation more systematically, and stepping up tax and customs controls. In particular, in recent years, through more systematic digital information exchanges, C.A.R. has benefited from a third-party provider for the valuation of goods going through customs and securing of wood pulp exports. C.A.R. has also benefited from extensive revenue administration capacity development programs from the Fiscal Affairs Department of the Fund and other partners.

Table 1. Central African Republic: Domestic Revenue Mobilization, 2014–23

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Domestic revenue	4.9	7.1	8.2	7.8	8.9	8.7	8.5	9.3	10.2	10.7
Tax revenue	4.4	6.5	7.5	7.0	8.1	7.8	7.1	7.6	8.3	8.7
Direct tax	1.0	1.4	1.8	1.2	1.7	1.8	1.9	2.1	2.3	2.4
Corporate income tax	…	…	…	0.7	0.8	0.7	0.6	0.6	0.6	0.6
Personal income tax	…	…	…	0.5	0.7	0.9	1.2	1.3	1.4	1.5
Other	…	…	…	0.1	0.1	0.1	0.1	0.2	0.3	0.2
Indirect tax	2.4	3.5	3.8	3.4	4.1	4.1	3.3	3.5	3.7	4.0
VAT	…	…	…	2.4	2.6	2.6	1.5	1.6	1.7	1.9
Excises	…	…	…	0.7	0.3	0.3	0.9	0.9	1.0	1.0
Other	…	…	…	0.2	1.1	1.2	0.9	0.9	1.0	1.0
Tax on international trade	1.0	1.6	1.9	2.4	2.3	2.0	1.8	2.0	2.3	2.4
Nontax revenue	0.5	0.6	0.7	0.7	0.8	0.9	1.4	1.7	2.0	2.0

Sources: C.A.R. Authorities, and IMF Staff estimates and projections.

7. **Over the medium term, a realistic strategy to mobilize revenue would be predicated on continued improvements in revenue administrations, to bring C.A.R. closer to the "tipping point" of revenue mobilization**. Over the next three years, C.A.R. is expected to mobilize about 2 additional percentage points of GDP in revenue.

- Most of the increase is expected to be generated from tax revenue: (i) a gradual recovery of the revenue loss that resulted from the pandemic, which, at present, is estimated to alter the tax-to-GDP ratio by about ¾ percent of GDP in 2020 (compared to pre-pandemic projections); and (ii) further improvements in tax administration leading to a ¾ percent of GDP gain over the period. This estimate is conservative, recognizing C.A.R.'s very limited administrative capacity and limited past success in improving revenue mobilization. There is, however, scope to generate a much larger increase, as explained below.

- The remainder of the increase (about ½ of GDP) would be mobilized from nontax revenue, including from the full transfer of parafiscal taxes and levies to the Treasury Single Account (TSA). While overall budget-neutral (the revenue collected will also be spent by the agencies through the TSA), the consolidation of revenue—and more broadly of fiscal operations—through the TSA will greatly improve fiscal governance by reducing risks and potential contingent liabilities. Additionally, minor revenue is also collected by some ministry and spending agencies without proper legal basis. While the issue is, overall, estimated to be minor in terms of revenue collected, it represents an important fiscal governance and business climate issue. This practice should be abolished, because line ministries and spending agencies should receive their resources from the budget, and any financial resources issues should be dealt with in the context of the formal budget process. Moreover, these minor revenues are also hampering tax collection efforts, by making the "perceived" system by taxpayers being complex and potentially unfair, thus reducing incentives for voluntary compliance with the legal tax obligations.

8. **Strengthening property income taxation**. Since the end of the 2012-13 conflict, investments in the real estate sector have been massive in Bangui and some large cities in provinces, reflecting the growing need for commercial premises or housing. Rents increased significantly though the property income and real estate taxes potential remains largely untapped. Proper tax policy design and compliance enforcement are likely to generate substantial gains.

9. **Removing ad-hoc tax exemptions; and focusing only on exemptions provided by the law**. Over the years, some tax exemptions were granted in an ad-hoc manner, i.e. outside what is provided by laws. Some of these exemptions were given through government decrees and/or conventions. The authorities took steps to eliminate them, through a census of the exemptions already compiled, and a commitment to not renew them. Additionally, the authorities strengthened the governance of the system through which these exemptions were granted. Indeed, many of these exemptions had been granted by the commission for national investment (*Commission Nationale des Investissements*, CNI) and the authorities changed the functioning of the CNI to ensure that the Ministry of Finance will have an adequate oversight of exemptions granted and their compliance with

the law (thus eliminating potential for new ad-hoc exemptions). In addition, revenue administration agencies, particularly customs, should implement audit programs to address the risk of diversion of exempted goods to unauthorized usages/destinations, which may account for significant revenue leakages.

10. **Very few taxpayers are effectively administered, which if addressed would open a large scope for revenue mobilization**. Out of about 50,000 taxpayers, about 2,000 are administered, of which about 900 pay taxes. The lack of effective administration of most taxpayers strengthens the case for focusing on revenue administration as a tool to mobilize revenue. In line with best practices, the strategy to bringing more taxpayers under an effective administration would require focusing on large and medium taxpayers and cross-checking data between public institutions. The following steps would therefore be critical to mobilize revenue on a much greater scale:

- Draw a list of 300 (for example) largest importers, based on the raw data provided through the customs IT system ASYCUDA, and 100 largest public procurement operators. With this list, a first step would be to check if these taxpayers are registered with the tax administration, including their contact details and the turnover declared to the tax administration.

- A tax administration investigation should be conducted each time such a taxpayer is not registered, or not identified through the contact details provided, or if not current with its tax obligations, or if the turnover declared is not consistent with the data fetched from ASYCUDA or public procurement data. These investigations should be systematic and on site. To cross-check the contact details, data from utilities companies and/or banks could be used to ease the work of tax administration.

- A critical part of the success of this endeavor depends on the extent of digitalization and automation. The large share of taxpayers not being administrated highlights the institutional vulnerabilities of tax administration. Thus, the processing of the data and subsequent decisions should be digitalized and automated as much as possible. In particular, the authorities should consider introducing "blocking codes" in the ASYCUDA system, so that taxpayers who are not current with their tax obligations would see their merchandise blocked at customs posts. The same logic would apply for procurement.

- Finally, transparency would also be critical. Once checks are done, outcomes should be disclosed (amounts of adjustment notified, amounts recovered) to ensure that the operations of tax administration are dully monitored.

11. **Improvement of taxpayer services through digitalization**. Another important area for improving voluntary tax compliance is to strengthen taxpayer services, which could heavily rely on digitalization. For example, the authorities, in the context of the rolling-out of their new version of the tax administration SYSTEMIF, have been working on procedures to secure and modernize payment processes. Focus has mostly been on making the system web compatible, and to enable e- payment and e-filling of tax returns. On the latter, the first phase will focus on large taxpayers, who should be able to file and pay their tax returns electronically by December 2020. Further, the

authorities have also been working on developing interfaces between ASYCUDA and SYSTEMIF to improve the accuracy and cross-checks of data. Similar efforts are ongoing to ensure proper electronic transfer of data between the revenue administration systems and those of the new PFM system (SIMBA) under development. The introduction of mobile tax payments will also improve small businesses compliance.

12. **Securing imports channeled through the port of Douala in Cameroon**. CAR imports and exports transit through two ports: Douala in Cameroon, and, to a lesser extent Pointe-Noire in the Republic of Congo. Importers and exporters face significant issues with fraud and theft, which affects negatively the C.A.R. economy as a whole; and the budget with customs revenue shortcoming. The authorities negotiated with the autonomous port of Douala a site for the construction of a warehousing area, for goods from/to C.A.R. A public-private partnership (PPP) agreement was subsequently signed with a South African firm (COGEA) for the construction of the warehouse. The contract benefited from technical recommendations from the Fiscal Affairs Department of the Fund, notably in the area of digitalization (authorizations of exit from the port will be exclusively digitalized and automated, thus excluding manual interventions, and based on the IT systems used by C.A.R. and Cameroon customs administrations). The Fund also advised the authorities to implement the customs modalities introduced in the East African Community, i.e. to require that importers pay duty and taxes through C.A.R.'s customs systems and accounts before their goods leave the warehouse, while customs administrations would significantly reduce transit times through Cameroon and C.A.R.

13. **Two new service providers were hired by customs to assist in the valuation of imports and securing of wood export revenue**. A new contract is now in place with a service provider to assist in the valuation of goods. Looking forward, customs and the service provider would need to work closely to achieve (i) full digitalization and automation of processes to limit human intervention and support contract implementation and traceability; (ii) development of capacity at customs in the area of valuation of goods; and (iii) reconciliation of the data on imports revenue between customs and tax administration. In particular, the current IT system, ASYCUDA ++ being obsolete, the authorities are working on developing ASYCUDA World, an up-to-date version.

14. **Paving the way for resource-revenue mobilization**. C.A.R. is a country richly endowed in natural resources, mostly minerals (diamond, gold, coltan). In 2003, C.A.R. joined the Kimberley diamond certification scheme, which aims to prevent the sale of diamonds mined in areas affected by conflict. The scheme imposed an embargo on the export of diamonds following the 2013 crisis, which was subsequently partially lifted. In 2010, C.A.R. joined the Extractive Industry Transparency Initiative (EITI) which requires countries to "publish timely and accurate information on key aspects of their natural resource management." C.A.R. membership was suspended in 2013. The country has launched a process for lifting the suspension. All mining and forestry contracts are now published on the website of the Ministry of Finance and Budget. Looking forward, continued improvements in securing peace in all parts of the country and strengthening governance of natural resources exploitation would be key to mobilize revenue in general, and particularly resource-related ones. In particular, improving governance in areas closely connected to resource revenue mobilization would be critical such as:

- Ensuring the transparency of the beneficial ownership of legal entities, which would be key to an effective fight against money laundering and terrorist financing and be supported by the new asset declaration law, along with continued efforts to implement the Organization for Harmonization in Africa of Business Law (OHADA) recommendations on the financial transparency of legal entities (currently, basic financial information on corporates is only available manually, and thus difficult to access and is not always accurate, see Basdevant et al., 2020).

- Adopting a new mining code to incorporate good practices, which is currently under preparation, with World Bank support.

- Streamlining processes for the exploitation of precious minerals. As part of the Kimberley process, the authorities proceeded with audits of diamonds produced. However, it created relatively large delays between diamond extractions and sales (about a month), while this industry typically relies on much shorter delays. As a result, the authorities approached USAID to strengthen audit capacity, with the view of reducing the delays.

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Annex III. Alternative Scenario

The economic outlook remains subject to significant downside risks. The baseline macroeconomic scenario assumes that the pandemic would fade before the end of 2020 with lingering effects in 2021. In addition, the baseline scenario assumes no worsening of security situation despite a potential flare-up in tensions in the run-up to the presidential and general elections. As pointed out in the staff report, this outlook is subject to significant downside risks, including a possible worsening of the pandemic, a deterioration of the security situation, and increasing political tensions.

Staff has developed an alternative scenario assuming a more protracted pandemic and deterioration of the security situation. Under this scenario, it will take longer than expected to contain the pandemic, both on a global level as well as in CAR. As a result, the pandemic will affect economic activity more severely than currently projected under the baseline. In such a scenario, growth would drop to 1 percent next year but recover more gradually in 2022 and beyond (Text Table 1). The scenario also factors in some effects of a possible deterioration of potential investors' sentiment ahead of the general elections this year.

Under this scenario, the fiscal deficit would be substantially higher than under the baseline scenario. In 2020-21, tax revenues would be lower on account of lower economic activity and trade, while spending would be higher owing to the need to allocate further resources to containing the pandemic and supporting the most vulnerable companies and households. The domestic primary fiscal deficit-to-GDP ratio would consequently be about ¾ ppt and 2ppt higher in 2020 and 2021 respectively than under the baseline scenario before converging gradually with this scenario over the medium term. Reflecting these higher deficits and lower growth, the public debt-to-GDP ratio would decline only slightly over the medium term, from 47.1 percent of GDP at end-2019 to 43 ½percent at end-2023 (compared with 38.8 percent under the baseline scenario).

The external position would be adversely impacted as well. The current account would deteriorate mainly owing to lower private transfers, as the lower exports of goods and services exports would be broadly offset by lower imports. This deterioration would be compounded by lower net capital flows.

Text Table 1. Central African Republic: Selected Macroeconomic Indicators, 2019-23

		2020		2021		2022		2023	
	2019	Baseline	Altern.	Baseline	Altern.	Baseline	Altern.	Baseline	Altern.
Real growth (percent)	3.0	0.0	-1.0	3.5	1.0	5.0	3.7	5.0	5.0
Domestic revenue (% of GDP)	8.7	8.5	8.3	9.3	8.9	10.2	10.3	10.7	11.0
Public expenditure (% of GDP)	16.9	24.3	24.9	19.3	21.1	18.6	19.6	18.6	19.6
Overall fiscal balance (% of GDP)	1.4	-2.5	-3.2	-1.3	-3.2	-0.4	-0.8	-0.6	-0.8
Domestic primary balance (% of GDP)	-3.5	-6.2	-6.7	-4.0	-6.0	-2.8	-3.3	-2.5	-2.9
Public debt (% of GDP)	47.1	46.8	48.0	44.1	48.2	40.9	45.7	38.8	43.5
Current account balance (% of GDP)	-4.9	-7.6	-8.0	-6.1	-6.9	-5.6	-6.3	-5.5	-5.8
Overall balance of payment (% of GDP)	-1.6	-0.3	-1.0	-0.2	-1.9	0.2	-0.4	2.0	2.1
Overall balance of payment (billion of CFAF)	-14.7	-3.6	-13.6	-2.7	-26.7	3.4	-5.6	33.7	33.7
Nominal GDP (billion of CFAF)	1,334	1,360	1,344	1,443	1,391	1,554	1,480	1,672	1,592

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

The authorities are prepared for such an adverse scenario. Though the authorities have not prepared a specific contingency plan, they have indicated the readiness to respond using a combination of adjustments and additional financing if such an adverse scenario materializes. On the expenditure side, consideration could be given to postponing or cutting non-priority spending (e.g. missions and repayment of domestic arrears) to contain the fiscal deficit. Potential financing sources to compensate for the lower revenues and deterioration of the external position should come in priority from additional budget support and project grants from potential donors and, as a last resort, additional financing from the Fund.

Appendix I. Letter of Intent

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, DC 20431
United States of America

Bangui, December 17, 2020

Madam Managing Director:

As you know, on December 20, 2019, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF) for the Central African Republic (CAR) in an amount equivalent to SDR 83.55 million to support the government's economic policy and structural reform program for the period 2020–2022. The attached Memorandum of Economic and Financial Policies (MEFP) describes recent macroeconomic developments, the progress made as at end-September 2020 on the policies and reforms to which we committed under the ECF-supported program, and the economic policies and reforms that we plan to implement over the next 12 months.

The recent climate has been marked predominantly by the COVID-19 pandemic, which arrived at a time when the country was beginning to make significant progress in implementing the Political Agreement for Peace and Reconciliation (APPR) signed in February 2019. Since the first confirmed case of COVID-19 in CAR on March 14, close to 4,800 cases and 62 deaths have been identified. The government's swift implementation of lockdown measures—such as the shutdown of bars, restaurants, schools, and the airport, as well as the distribution of masks—has helped bring the number of cases down significantly in recent months, which, in turn, led to the gradual relaxation of these measures. The pandemic has also had a substantial impact on economic activity, with some sectors, such as trade, transportation, tourism, and mining, being particularly hard hit by the lockdown measures and the drop in external demand during the first half of 2020. This resulted in an urgent need for external financing, a need largely met by the disbursement of SDR 27.85 million under the Rapid Credit Facility (RCF) and by the temporary cancellation of debt service to the IMF under the Catastrophe Containment and Relief Trust (CCRT). These were used primarily to fund our pandemic response plan and to offset the sharp decrease in our domestic revenue. Although the declining number of cases recorded in recent weeks gives us hope of a gradual economic recovery, we remain vigilant and ready to take additional measures, if need be.

Owing mainly to delays in transferring revenues from government agencies to the TSA and insufficient control of the commitment of budget appropriations, we were unable to achieve the end-December 2019 quantitative performance criteria. We have since taken corrective action to ensure that agency revenues are indeed transferred to the TSA and to enhance monitoring of commitments in GESCO, pending the rollout of the SIM-BA system. The slight shortfall in paying domestic arrears at end-December was due to liquidity concerns. The connection in March of the Treasury directorate to the BEAC's SYGMA-SYSTAC system will enable better control of this liquidity. The continuous criterion of non-accumulation of external arrears was not met as insufficient coordination between the debt unit and the Treasury directorate led to a delay in one payment to the International Fund for Agricultural Development. In order to avoid the recurrence of such delays in the future, we have since taken measures to enhance this coordination.

As had been anticipated when the RCF disbursement was approved, the pandemic's impact on government revenue, the domestic primary deficit, and government resources to pay domestic arrears, did not allow us to achieve the related end-June performance criteria. However, the fiscal outlook for the year is broadly in line with what had been envisaged in April and our commitment to dedicate the bulk of the emergency external financing provided by the IMF and our other financial partners to fighting the pandemic. Based on this outlook and the corrective actions we have implemented to avoid future shortfalls, we are requesting waivers of non-observance of the missed end-December and end-June PCs and of the continuous PC on the non-accumulation of arrears. To allow us more flexibility in addressing potential liquidity shortages, we are also proposing to replace the performance criterion on the repayment of domestic arrears with an indicative target.

The pandemic also led to significant delays in implementing the measures covered by structural benchmarks. We were therefore able to accomplish in a timely manner just one of the five structural benchmarks established in the first three quarters. However, we made considerable headway in implementing the corresponding reforms. Hence, we finalized the recruitment of service providers to assist us in valuing imports and securing wood export revenues. In early October, we also adopted implementing decrees for the new legal framework governing the operations of public and quasi-public entities and enterprises. In November, we finalized the capture of all corporate tax returns for 2018 and 2019 into the SYSTEMIF IT system. Finally, by the end of the year, we will amend the draft asset declaration law that we submitted to Parliament in early October to bring it in line with the applicable international good practices prior to its formal consideration by Parliament.

We believe that, despite the pandemic, the objectives we had set ourselves as part of the ECF-supported program are still relevant. Maintaining macroeconomic stability and debt sustainability, as well as restoring sustainable inclusive growth, are essential to the government's efforts to restore lasting peace and prosperity in the country. Over the next year and with the support from our economic and financial partners, we therefore plan to continue an ambitious reform program, as described in the MEFP, to increase domestic revenues and the effectiveness of fiscal expenditures, while strengthening administrative capacity, governance, and the business environment.

To support us in our efforts to contain the pandemic and restart the economy and to help us meet our external and budget financing needs in this difficult context, we are requesting a cumulative disbursement of the second and third disbursements under the ECF arrangement, corresponding to SDR 23.872 million.

We are convinced that the measures and policies set forth in the MEFP are appropriate for meeting the objectives of the ECF-supported program 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).

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 first and second reviews under the ECF arrangement.

Very truly yours,

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

Attachments:

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

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

This memorandum supplements and updates the MEFP signed in December 2019 as part of the economic program supported by the Extended Credit Facility (ECF). In support of our efforts to restore lasting peace and prosperity under the Political Agreement for Peace and Reconciliation in the Central African Republic (APPR) signed in February 2019, this economic program aims at reducing our fiscal and external imbalances, while promoting inclusive and sustainable growth and poverty reduction.

This MEFP describes the background, recent macroeconomic developments, progress made in program implementation, the economic outlook and risks, as well as the macroeconomic policies and structural reforms that we intend to implement over the remainder of 2020 and the medium term.

BACKGROUND

1. **The Covid-19 pandemic has had a severe impact on the Central African Republic (C.A.R.).** The first case was confirmed on March 14, 2020. As of November 9, 2020, the country had recorded a total of 4,879 cases and 62 deaths. In order to respond to the pandemic, the government took rapid containment and mitigation measures, such as closing the borders, restaurants, bars, and educational institutions, and restrictions on gatherings and movements from Bangui. These measures yielded positive results, as can be seen from the very limited number of cases and deaths reported over recent months. This improvement enabled us to relax some of the measures, with the reopening of restaurants, schools, places of worships, and bars, and the resumption of some commercial flights from Bangui M'Poko international airport. While we hope that the worst of the pandemic is behind us, it is important to remain vigilant, to continue to apply social distancing measures, such as wearing masks in public places and handwashing at the entrance to public buildings.

2. **The APPR is starting to bear fruit, with a gradual improvement in the security situation.** Eighteen months after its signature, the peace agreement has resulted in a gradual decline in the number of security incidents and deaths related to the conflict, along with tangible progress, such as the deployment of government forces in certain regions, the gradual introduction of joint security brigades, and the disarmament of some armed groups. While clashes between armed groups in the north in April 2020, as well as clashes between the peacekeeping and government forces and the 3R armed group in the northwest in June 2020, resulted in numerous deaths, there have been no major incidents in recent months.

3. **Despite the Covid-19 pandemic and the security situation, preparations for the presidential and legislative elections are progressing.** With support from donors, we were able to secure funding for these elections, while the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA) is assisting us to ensure that the elections proceed smoothly from a security standpoint. While there have been some delays in

the preparation of voters' lists, these were finalized in mid-October, while the list of candidates for the presidential election will be announced by early December. With the other institutions necessary for the proper conduct of the elections now in place, we are confident that the elections' first round will take place as planned on December 27, 2020, and if necessary, the second round will be held on February 7, 2021.

RECENT MACROECONOMIC DEVELOPMENTS

4. **The pandemic and the measures aimed at mitigating its public health impact have had a major impact on growth.** These measures and weak external demand were a serious blow to economic activity in the first half of 2020. The most affected sectors were trade, transportation, tourism, the hotel industry, and the mining sector. Hence, official diamond production, already depressed, fell by nearly 90 percent in the first half of 2020. During the same period, the number of passengers' arrivals at Bangui M'Poko international airport dropped by 39 percent compared to the same period of the previous year. Overall, despite some signs of the start of a recovery in the past few months, owing to the relaxation of containment measures, economic activity is expected to be stagnant in 2020, while we were anticipating growth of around 5 percent a year ago. Inflation rose in the first half of the year, reaching 5 percent y-o-y in June 2020, owing primarily to the rise in food prices following the temporary closure of the border with Cameroon in the spring. We expect, however, that the downward correction of these prices that began in July will continue and that annual average inflation will remain below 3 percent this year.

5. **The current account deficit is expected to widen in 2020.** It would increase from 5 percent of GDP in 2019 to 7.6 percent of GDP in 2020, owing primarily to weak external demand and private transfers and an increase in non-oil imports fueled by externally financed public investment, which would be only partly offset by increased budget support and the drop in the oil bill. Exports and imports of goods and services would decline by around 12 percent and 2 percent, respectively. Foreign direct investment and other financial flows are expected to decline substantially during this period of heightened uncertainty. With the deterioration in the current and financial accounts being more than offset by a strong improvement in the capital account (project grants), the overall balance of payments would improve slightly, from -1.1 percent of GDP in 2019 to -0.3 percent of GDP in 2020. Owing to an increase in disbursements under IMF facilities, official reserves are expected to increase in 2020, following a slight decline in 2019.

6. **Fiscal developments during the first half of 2020 were also seriously affected by the pandemic.** The domestic primary deficit widened due to weak domestic revenues and increased expenditures. The decline in revenues reflects not only the slowdown in economic activity and the decline in imports, but also the impact of the pandemic on the tax administration (whose controls have been seriously diminished), the suspension of ad valorem taxes on imported used cars (which are now being applied), and persistent difficulties in the transfer of public agencies' revenue to the Treasury single account (TSA). In order to address these difficulties, in June 2020, the Minister of Finance and Budget instructed the public accountants assigned to each entity to

monitor the tax basis of the relevant parafiscal levies and to proceed with their forced collection, if necessary. In line with what was expected under the Rapid Credit Facility (RCF), recurrent expenditures increased in response to the pandemic.

7. **The banking sector remains profitable and sufficiently capitalized, although liquidity levels have declined somewhat and nonperforming loans have risen slightly.** The capital adequacy ratio was around 28 percent in May 2020, against 31 percent in June 2019. There was a slight increase in nonperforming loans in the first half of 2020, reaching 13.7 percent of total lending in May 2020, compared to 12.6 percent in December 2019. While remaining comfortably above the regulatory minimum of 100 percent, the liquidity ratio dropped to 132.6 percent in May 2020, compared to 165.8 percent in December 2019. Lending to the private sector declined by 4.8 percent year-on-year in June.

8. **We have set up an inter-ministerial committee responsible for monitoring pandemic-related spending with the aim of ensuring in real time the proper use of funds received.** This committee is chaired by the Minister of Finance and Budget and it is comprised of representatives from the main spending agencies (e.g. Ministry of Health and the Population, Ministry of Economy, Planning, and Cooperation) and from the agencies responsible for the supervision of spending (e.g., the Budget Directorate, the Public Procurement Directorate, the High Authority for Good Governance, or HABG), as well as observers representing our technical and financial partners (the World Bank, the African Development Bank (AfDB), the IMF, the EU, and the Bank of Central African States, or BEAC) and civil society. The committee will oversee not only pandemic-related spending implemented by the government, but also spending implemented by our partners. The decree issued by the Prime Minister, Head of government, establishing the committee provides for the publication of tenders related to this spending.

9. **We have made substantial progress with regard to digitalization.**

- The electronic payment of public employees' salaries was deployed as planned at the beginning of 2020 in two localities, and then extended to a total of 10 localities and around 400 employees. Owing to the pandemic, we were not able to continue with this deployment in the provinces and we focused on its development in the capital, in particular for the payment of salaries to security and defense forces.

- The pilot project for the electronic filing and payment of taxes by large enterprises, initially planned for the end of June 2020, was held up by delays in the delivery of the necessary technical assistance. With the assistance of AFRITAC Central, however, we have already completed the consolidation of the tax return[1] and tested the system internally and with certain taxpayers. We will expand the testing to other large enterprises by mid-November 2020, which should enable us to deploy the system by the end of the year as planned under the program.

[1] A single return now covers all tax levies and all types of businesses.

10. **The pandemic and the containment measures have led to delays in the implementation of other reforms since the administrations have not been able to work at full capacity, many officials falling ill or having to quarantine themselves, and technical assistance has not been provided in a timely manner.** This is the case in particular with the deployment of the new SIM_BA integrated system for public financial management, the deployment of which has been delayed for a year, from early 2021 to early 2022, since the International Association of Francophone Mayors (AIMF) was not able to provide the necessary technical assistance. Nevertheless, we were able to continue with its development, thanks to the support from the World Bank, in particular. SIM_BA is expected to be delivered in early 2021, and a testing phase will begin immediately. Then we will prepare the draft 2022 budget law using SIM_BA, which will be in full use starting in January 2022. In the meantime, and with the assistance of the World Bank, we will execute the 2021 budget using our existing system, GES'CO.

11. **We have continued the reforms to strengthen governance.** We published on the Ministry of Finance and Budget website the final report of the diagnostic mission on governance prepared by the IMF.[2] In accordance with that report's recommendations, we will amend a draft asset declaration law recently submitted to Parliament so as bring it in line with the applicable international good practices prior to its formal consideration by Parliament.

12. **We have made progress in various reforms aimed at improving the business environment.** A new labor code has been submitted to Parliament and includes, as recommended in the governance diagnostic report, a limit on damages in the event of unfair dismissal. The code also contains important provisions for greater social justice, for example, by establishing penalties for sexual harassment in the workplace. An assessment of the mining code was conducted by the AfDB and we are currently in the process of hiring, with the support from the World Bank, a technical expert to implement the recommendations made by the AfDB. Finally, we have prepared an electronic commerce guide, which is now available on the Ministry of Finance and Budget website.

PROGRAM IMPLEMENTATION

13. **With the exception of the one related to domestic financing, we did not meet the end-2019 quantitative performance criteria.** Nevertheless, two of the three fiscal criteria that were not met at end-December were missed by narrow margins (0.1 percent of GDP in both cases). The low level of revenue and the large deficit at end-2019 can be explained primarily by delays in the transfer of revenues from public agencies to the TSA and insufficient management of commitments of budget appropriations. We have accordingly taken some corrective measures to ensure that the revenues from public institutions are properly transferred to the TSA and to strengthen the monitoring of commitments in the GES'CO system, pending the deployment of the SIM_BA system. The slight delay in the payment of domestic arrears at end-December can be

[2] http://finances-budget.cf/presse/item/415-rapport-de-la-diagnostic-de-la-gouvernance.

explained by liquidity problems. The connection last March of the Treasury directorate to the BEAC's Sygma-Systac system will allow for better management of liquidity.

14. **As anticipated when the disbursement under the RCF was approved, the pandemic did not allow us to meet most of the end-June 2020 performance criteria.** Its economic impact led to a sharp drop in domestic revenue, which, along with the additional pandemic-related expenditures, contributed to a widening of the domestic primary deficit and a shortage of government resources to pay domestic arrears.

15. **Recent fiscal performance is broadly in line with what was envisaged under the RCF and our commitment to devote most of the emergency external financing provided by the IMF and our other financial partners to fighting the pandemic.** With cumulative revenues of CFAF 80.5 billion based on the data at end-August, domestic revenues are on track to meet the proposed annual target of CFAF 115 billion. At 63 percent of the annual projection, primary expenditures at end-August are broadly in line with the levels envisioned during the discussions under the RCF, thanks to low expenditures on investment and goods and services. The continuous criterion of non-accumulation of external arrears was not met on account of a delay in the payment of one installment (of less than $200,000) owed to the International Fund for Agricultural Development. In order to avoid the recurrence of such delays in the future, we are committed to improving coordination between the Treasury directorate and the debt unit. From now on, one month before each external debt due date, this unit will send an official reminder note to the Treasury directorate to make the payment.

16. **Although the pandemic has also had an impact on the implementation of structural reforms, allowing us to meet only one of the five structural benchmarks set for the first nine months of the year, considerable progress was made in the implementation of the relevant reforms:**

- The structural benchmark related to the submission to parliament of a draft supplementary budget law providing for the elimination of the seven remaining public agencies without economic justification was met, although parliament rejected their elimination on the grounds that an assessment of its socio-economic impact should be undertaken beforehand.

- The measures covered by the end-January structural benchmark have been implemented as, following the recruitment in January of a service provider to assist the customs administration in the valuation of imports, we hired another service provider in May to help us certify and secure timber export revenues.

- The secondary legislation of a new legal framework governing the functioning of public and parapublic institutions and enterprises were adopted in early October (structural benchmark for end-March 2020).

- The integration of all corporate tax returns for 2018 and 2019 into the SYSTEMIF IT system (structural benchmark for end-June 2020) was delayed due to social distancing measures, but was finalized in November 2020 (prior action).

- A draft law on asset declaration was submitted to Parliament on October 7, 2020 (missed structural benchmark for end-September). That draft will be amended to bring it in line with the applicable international good practices prior to its formal consideration by Parliament (prior action).

ECONOMIC OUTLOOK AND RISKS

17. **The economic outlook has deteriorated owing to the pandemic.** Growth is now projected at zero percent in 2020, 1 percent less than expected under the RCF. This downward revision reflects the longer-than-anticipated impact of the pandemic, at both the global level and within the country. The economic recovery in 2021 is also expected to be less pronounced than originally anticipated, being limited to 3½ percent, compared to the 4 percent envisaged under the RCF. Over the medium term, growth could reach 5 percent, benefiting from the reforms to improve the business environment and public investment, in particular in the agriculture, energy, telecommunications, and water sectors. Inflation is expected to rise in 2020, but it should remain below 3 percent.

18. **The external position would improve gradually over the medium term.** As the impact of the pandemic subsides and the global economy gradually recovers, exports are expected to increase, which will allow for an improvement in the current account balance, with its deficit expected to fall from 7.6 percent of GDP in 2020 to 5½ percent over the medium term, in spite of an anticipated drop in official transfers. Financial flows, including foreign direct investment, are expected to normalize and, in combination with the improvement in the current account balance, to contribute to the gradual accumulation of official reserves.

19. This outlook remains subject to substantial risks. The outlook for 2020 and 2021 is particularly uncertain owing to a possible worsening of the pandemic, a still unstable security environment, and the December 2020 elections. The upside risks include a less severe impact from the pandemic (for example, if a vaccine becomes quickly and widely available) and a more rapid implementation of structural reforms and of the peace agreement after the elections.

ECONOMIC AND FINANCIAL POLICIES

20. **Although focused over the short term on combating the pandemic, our economic policies will remain guided by the objectives set under the ECF, namely, to maintain macroeconomic stability, improve governance, and meeting C.A.R.'s protracted balance of payments financing needs.** Over the short term, we will ensure that the financing provided by our partners is spent in an efficient manner to combat the pandemic. Over the medium term, as the situation improves, we should re-emphasize sustainable funding for our considerable financing needs related to spending on security, and the social and infrastructure sectors, while

promoting inclusive growth through governance and the improvement of business environment reforms.

A. Fiscal Policy

21. **We will continue to implement prudent fiscal policy aimed at ensuring sustainable financing of priority expenditures, in line with the initial objectives of the program supported by the ECF.** In particular, it will be essential to ensure financing of our spending needs, while gradually reducing our public debt. To achieve this, we are committed to gradually bringing the domestic primary deficit down to 2½ percent of GDP. This strategy will be supported by a policy aimed at increasing domestic revenue mobilization, rationalizing non- priority spending, and improving public spending efficiency. So as not to compromise debt sustainability, we will continue to seek grants to finance our most urgent needs, and we will resort to external borrowing only on concessional terms and within the limits established under the program. The government is also determined to continue negotiations with creditors with whom agreements were signed prior to the Heavily Indebted Poor Countries (HIPC) initiative.

22. **In line with our commitments under the RCF, we intend to use the emergency financing provided by the IMF and our other partners to combat the pandemic and to compensate for the decline in domestic revenues it caused.** In early July, we submitted a supplementary budget law to the National Assembly, which approved it on July 9. This law allocated CFAF 15.8 billion (1.2 percent of GDP) for combating the pandemic, of which nearly CFAF 10 billion is for the Ministry of Health's response plan, around CFAF 3 billion as government support for the private sector and vulnerable households, and CFAF 1.2 billion for the construction of new hydraulic boreholes. With the aim of containing, in accordance with our commitments, the envelope for non-pandemic-related spending at the level specified under the ECF, we have identified CFAF 7 billion in non-priority expenditures that will not be executed. We formalized this reduction in budget allocations by means of a ministerial instruction canceling the appropriations for these non-priority expenditures, which we forwarded to the National Assembly for informational purposes. Owing to the more-pronounced-than-anticipated slowdown in economic activity, domestic revenue is expected to be just slightly below what was envisioned under the RCF, while the domestic primary deficit is expected to amount to about 6 percent of GDP.

23. **We have submitted to the National Assembly a draft budget law for 2021 that is aimed at keeping the domestic primary deficit below 4 percent of GDP in 2021 through increased domestic revenues mobilization and better management of spending.** There will be a substantial increase in domestic revenues due to the measures that we are planning to implement to strengthen tax administration (see below). In view of the limited number of cases recently recorded, and the significant amount of Covid 19-related expenditures remaining to be executed in the last months of the year, we have not included additional appropriations earmarked for these expenditures in the draft budget law. We nevertheless remain vigilant and

will consult with the IMF and our other technical and financial partners should the health situation worsen and additional expenditures become necessary.

B. Fiscal Reform

24. **We will ensure the sound and transparent use of the funds mobilized to combat the pandemic.** In accordance with our commitment under the RCF, we will commission an independent audit by the Court of auditors (Cour des comptes) of pandemic-related expenses incurred in 2020. The audit report will be published online, and in its entirety, by end-April 2021 (new structural benchmark). Following the publication in early December of data on Covid-related expenditures and related public contracts, we will publish on a monthly basis detailed data on Covid-related expenditures and on public procurement tenders as part of the pandemic response, as well as the outcome of these tenders, including the names of the winning companies, the names of their beneficial owners, and the criteria for their selection.[3] We will also publish the names of enterprises that have benefited from transfers intended to help them deal with the pandemic, and the criteria for their selection.

25. **We will continue our efforts aimed at strengthening the public financial management system and consolidating the TSA.**

- We reiterate our commitment to eliminating the remaining seven public agencies with no economic justification. We will therefore work with the National Assembly to ensure that their concerns are taken into account and that the elimination is effective by end-April 2021 (new structural benchmark).

- Owing to the considerable uncertainty regarding the impact of the pandemic on public finances, and with the aim of preserving a cash position, we have slowed down the repayment of domestic arrears and we have adopted a new clearance plan that provides for the repayment of all validated arrears in 2017 by end-2021. We have also asked the French Development Agency to finance the continuation of quarterly audits of these repayments.

- We will extend the electronic payment of salaries and bonuses to all defense and security forces by end-December 2020, as well as to national education and health sector personnel by end-March 2021.

- With a view to identifying, streamlining, and ensuring traceability in the management of service revenues generated by ministries and public enterprises and institutions through their own activities, we commit to performing by the end of the year, as part of a mission conducted by the General Finance Inspectorate (IGF) and with the technical assistance of the IMF, an inventory of revenues received directly by ministries and public enterprises and institutions. This operation will make it possible to eliminate those without justification and if necessary, to place the others under the control of the Treasury

[3] Data related to Covid-related spending can be found here and here.

directorate according to the methods to be defined in a new text governing the management of the delegated imprest accounts for the collection of revenue by end-June 2021.

- Over the next few months the World Bank will conduct a review of the government's social spending, in particular in health, education, and social protection. This assessment/review, which should be available by the end of the first half of 2021, will enable us to identify different ways for better allocation of resources in these sectors and to increase the effectiveness of this public spending. This review will also be an opportunity to identify bottlenecks in the under-accumulation of human capital in the C.A.R.

26. **We will strengthen the supervision of public enterprises.** Following the adoption of its implementing decrees, we will implement the new legal framework governing the functioning of public and parapublic enterprises and entities. This will result, in particular, in adequate financial monitoring of these establishments. We are committed to stabilizing and disseminating the legal corpus of public and parapublic enterprises and entities by adopting the texts defining the practical organizational and operating methods specific to certain categories of public entities and by training the main actors, namely the authorizing officers and accountants of those entities as well as the competent supervisory bodies, by the end of 2021. We undertake to produce and submit to the Court of Auditors, by the end of September 2022 at the latest, the financial statements of at least three of the largest public offices for the 2021 exercise.

27. **We will continue to improve domestic revenue mobilization:**

- One of the reasons for the low domestic revenue is the narrow tax base, with a very small number of taxpayers being effectively administered. In order to expand this base, we will identify the 300 largest importers and 200 largest beneficiaries of public procurement contracts and we will ensure by the end of the year that these enterprises: have a valid tax identification number; report revenues that are consistent with the information from the public procurement contracts/imports; and are current on their tax obligations. The tax authorities will systematically audit enterprises that do not meet all these criteria and will publish the results of these audits by end-June 2021 (new structural benchmark). This publication will confirm the presence of the tax administration authorities and enhance the credibility of the effectiveness of their surveillance of taxpayers. In addition, all taxpayers known to customs and/or public contracts directorates and unknown to the tax directorate must be included in the taxpayers file (therefore properly registered) and become compliant. The administration will ensure that they meet their reporting and payment obligations over the years.

- Following their deployment for large enterprises by the end of the year, we will expand the electronic filing and electronic payment of tax obligations to small and medium-sized enterprises by end-2021.

We are holding monthly meetings between the service provider assisting us in the valuation of imports and the General Customs Directorate in order to reconcile the taxed value with that recommended by the service provider and we will take corrective measures when significant discrepancies are identified. Progress is being made in securing imports between the port of Douala in Cameroon and the border post in the C.A.R. As this security process will take time to be fully effective, over the short term we will reconcile data on goods recorded by Cameroon with those recorded by the customs authorities in Bangui. In the event of a significant discrepancy, we will immediately initiate inspections to recover the customs duties that were evaded. We will also publish a list of infractions identified and the amounts recovered, starting in December 2020. We will also strengthen our program to verify the use of goods imported but exempt from customs duties. We are going to issue a mission order by the Minister of Finance and Budget so that: (i) starting in December 2020, this program covers at least 20 percent of the amount of the stock of import exemptions for the last three years; and (ii) from March 2021 a report by be produced the customs directorate on the controls carried out and their results, including the duties and penalties notified and collected. Finally, we will establish an interconnection between the customs posts in Douala, Berberati, and others with the central services in Bangui starting in January 2021.

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- With the support of the European Union, we will continue our efforts to launch the Automated System for Customs Data (ASYCUDA) World. Once it is operational at the end of 2021, ASYCUDA World will notably allow for: (i) a more systematic verification of data between the port of Douala and the revenues received, since this system is already being used by the Cameroonian customs authorities in Douala; and (ii) the use of the electronic tax payment platform for the payment of customs duties.

C. Other Structural Reforms

28. **We will continue the implementation of the recommendations of the governance diagnostic mission:**

- In response to our request, we have received support from the IMF, the World Bank, and the United Nations Office on Drugs and Crime (UNODC) to develop an action plan to combat corruption and improve governance. This action plans calls for: (i) increasing the independence of the HABG; (ii) the automatic forwarding to the HABG of complete reports prepared by other institutions responsible for government oversight starting in June 2021; and (iii) bringing laws on combating corruption and on good governance in line with international standards (in particular those of the UNCAC and the Financial Action Task Force, or FATF) by December 2021. Once it has been finalized, this action plan will be approved by the Council of Ministers by end-January 2021.
- In close collaboration with IMF staff, as well as our other partners, we will also prepare an anti-corruption law in line with the provisions of the United Nations Convention against Corruption. We intend to share a preliminary draft with IMF staff by December 2020 with a view to submitting a draft law to the parliament by end-June 2021 (new structural benchmark).

- Once the new asset declaration regime has been adopted by the National Assembly, we will issue the relevant implementing decree(s) in consultation with Fund staff.

29. **We also intend to continue improving the business environment:**

- Once the comments by the AfDB and the World Bank taken into account, the draft mining code will be in line with international standards and will provide a sound and transparent framework for the exploitation of mineral resources in the C.A.R. We intend to finalize it within the next few months and submit it to the Council of Ministers, and then to the National Assembly, in the first half of 2021. This code will also form the basis for eventually re-joining the Extractive Industries Transparency Initiative (EITI).

- In addition, we will mandate by the 2021 budget execution order the publication on the Ministry of Finance website and Budget of all public procurement contracts (whether or not they are related to the pandemic) of more than CFAF 5 million within 30 days of the date they are awarded, as well as the names of the beneficial owners of the legal entities concerned (new structural benchmark for September 2021).

- We will ensure that the level of parafiscal taxes on the telecommunications sector is not detrimental to the development of the sector and to the implementation of our digitalization strategy. Based on the observation that these taxes were previously relatively low compared to other countries in the region, we raised them in June. As this increase was deemed excessive by industry players and some of our partners, we have undertaken an assessment of this increase. This assessment — with the help in particular of technical assistance financed by a World Bank project — will make it possible to determine an adequate approach to parafiscal taxation, which will not harm the development of the sector and our ambitions to accelerate the digitization of the economy.

- With a view to strengthening the development of the financial sector, we will accelerate the launching of the National Economic and Financial Council (CNEF) with the aim of allowing for the implementation of the recommendations made by the National Credit Council (CNC). These recommendations notably include the creation of an arbitration and mediation center, as well as an arbitration chamber within the commercial court to deal with disputes related to banking and finance. Also, in a context where transactions by mobile phone grew from CFAF 1.8 billion to CFAF 31.9 billion between 2017 and 2019, we will continue to encourage this type of payment, in particular through the development of a fiber optic infrastructure that will make it possible to provide broader support for the banks' efforts to digitalize their services. Finally, we will provide support for the co-financing mechanism for loans to small and medium-sized enterprises through the creation of a national guarantee fund for loans to small- and medium-sized enterprises.

CAPACITY BUILDING

30. **We will continue to pursue a capacity-building strategy with the support of our technical and financial partners, while improving coordination with these partners.** Given the importance of transparency and governance for strengthening the public expenditure chain, the technical assistance (TA) provided by the IMF concerning the monitoring of spending related to Covid-19 will be essential in the months ahead in order to build our institutional capacities. Our other priorities in the area of TA continue to be the following: (i) improvement of revenue administration; (ii) strengthening public financial management and improvement of fiscal governance and mechanisms to combat corruption; (iii) building capacity for macroeconomic programming and debt management; and (iv) improvement of the quality of economic and financial statistics.

PROGRAM MONITORING

31. **Program monitoring will continue to be performed using quantitative performance criteria and targets and structural benchmarks as defined in the Technical Memorandum of Understanding (Attachment II):**

- Consistent with our commitment to implement all the measures covered by structural benchmarks, we will implement the following measures as **prior actions**: (i) submission to Parliament of a 2021 draft budget law in line with program commitments; (ii) capture all the 2018 and 2019 corporate tax returns into the SYSTEMIF IT system (missed end-September SB); and (iii) submission to Parliament of a draft law aligning the asset declaration regime with the applicable international good practices (missed end-September SB).

- We propose that the Executive Board establish quantitative **performance criteria** for end-December 2020 and end-June 2021, along with indicative targets for end-March and end-September 2021 (Table 2), and to implement as structural benchmarks the measures set out in Table 3, which covers the period through December 2021. To allow us more flexibility in addressing potential liquidity shortages, we are proposing to replace the performance criterion on the repayment of domestic arrears by an indicative target.

- It is envisaged that the third **review** of the ECF arrangement concerning performance at end-December 2020 will take place by end-June 2021 and that the fourth review concerning performance at end-June 2021 will take place by end-December 2021.

- We will provide IMF staff with the statistical data and information identified in the attached Technical Memorandum of Understanding, as well as any other information they deem necessary or that the IMF staff may request for monitoring purposes.

Table 1. Central African Republic: Performance Criteria (PC) and Indicative Targets, December 2019–June 2020

(In CFAF billions)

	End-December 2019			End-March 2020			End-June 2020		
	PC	Adjusted PC [6]	Actual	Indicative Target	Adjusted target [6]	Actual	PC	Adjusted PC [6]	Actual
Quantitative performance criteria									
Domestic government financing (ceiling, cumulative flows for the year)	-27.0	-26.1	-0.8	17.0	17.0	9.3	-4.0	11.6	3.9
Domestic revenue (floor, cumulative for the year) [1]	118.0	...	116.1	34.6	...	31.9	70.8	...	60.7
Domestic primary fiscal balance (floor, cumulative for the year) [2]	-40.9	-40.1	-47.1	-3.6	-3.6	-14.7	-9.4	6.2	-29.3
Reduction in domestic payments arrears (floor, cumulative for the year)	29.5	...	28.5	9.0	...	2.1	18.0	...	7.6
Continuous performance criteria									
Contracting or guaranteeing of new external non concessional debt (ceiling) [3,4]	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0
Non accumulation of external payments arrears (ceiling, cumulative for the year) [3,4]	0.0	...	0.0	0.0	...	0.0	0.0	...	0.1
Indicative targets									
Social spending (floor, cumulative for the year) [5]	25.0	...	22.7	5.9	...	4.7	12.4	...	15.3
Spending through extraordinary procedures (ceiling, cumulative for the year)	4.7	...	5.4	1.2	...	1.4	2.5	...	2.3
Memorandum items: [6]									
New concessional/external debt contracted or guaranteed by the government	6.0	...	0.0	25.0	...	0.0	25.0	...	0.0
Budget support	81.9	...	80.2	0.0	...	0.0	31.1	...	0.0
Privatization receipts	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0

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

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

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

[3] These objectives will be monitored continuously.

[4] Contracted or guaranteed by the government. The government acculated external arrears towards IFAD during the second quarter of 2020. These arrears were paid in early October 2020.

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

[6] Projected on a cumulative basis.

Table 2. Central African Republic: Performance Criteria (PC) and Indicative Targets, December 2020–21

(In CFAF billions)

	End-December 2020	End-March 2021	End-June 2021	End-September 2021	End-December 2021
	PC	Indicative Target	PC	Indicative Target	Indicative Target
Quantitative performance criteria					
Domestic government financing (ceiling, cumulative flows for the year)	4.0	-2.0	16.0	-5.0	1.0
Domestic revenue (floor, cumulative for the year) [1]	115.0	30.0	63.0	98.0	133.0
Domestic primary fiscal balance (floor, cumulative for the year)[2]	-85.0	-10.0	-25.0	-40.0	-59.0
Continuous performance criteria					
Contracting or guaranteeing of new external non concessional debt (ceiling) [3,4]	0.0	0.0	0.0	0.0	0.0
Non accumulation of external payments arrears (ceiling, cumulative for the year)[3,4]	0.0	0.0	0.0	0.0	0.0
Indicative targets					
Social spending (floor, cumulative for the year)[5]	35.0	5.0	15.0	24.0	32.0
Spending through extraordinary procedures (ceiling, cumulative for the year)	6.7	1.3	2.7	4.4	6.2
Reduction in domestic payments arrears (floor, cumulative for the year)	18.0	3.0	8.0	15.0	23.0
Memorandum items: [6]					
New concessional/external debt contracted or guaranteed by the government	25.0	25.0	25.0	25.0	25.0
Budget support	76.3	0.0	0.0	43.7	53.3
Privatization receipts	0.0	0.0	0.0	0.0	0.0

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

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

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

[3] These objectives will be monitored continuously.

[4] Contracted or guaranteed by the government.

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

[6] Projected on a cumulative basis.

Table 3. Central African Republic: Prior Actions and Structural Benchmarks, January 2020–December 2021

Measures	Timeline	Macroeconomic Rationale	Status	Comment
Existing structural benchmarks				
Recruit new service provider to assist the custom authorities in controlling import valuation and certifying and securing timber export revenues	End-January 2020	Improve transparency and revenue collection	Deadline not met	Completed in June 2020
Approve secondary legislations to support the implementation of the new legal framework for public and para-public institutions and enterprises	End-March 2020	Improve oversight of SOEs	Deadline not met	Completed in early October 2020
Submit to parliament a draft supplementary budget law providing for the elimination of the seven remaining public agencies without economic justification identified by the IGF	End-June 2020	Improve transparency and revenue collection	Deadline met	Submitted to parliament, which did not approve it
Capture all the 2018 and 2019 corporate tax returns into the SYSTEMIF IT system	End-June 2020	Reduce corruption and improve revenue collection	Deadline not met	Completed in November 2020
Submit to Parliament a law to bring the asset declaration regime into alignment with the applicable international good practices	End-September 2020	Improve accountability	Not met	The draft law submitted to Parliament on October 7 was not fully in line with the applicable international good practices
Deploy e-procedures (declaration and payments) for large companies	End-December 2020	Improve transparency and revenue collection		
Proposed prior actions and new structural benchmarks				
Submission to Parliament of a draft budget law for 2021 in line with program commitments	Prior Action		Met	
Capture all the 2018 and 2019 corporate tax returns into the SYSTEMIF IT system	Prior Action		Met	
Submit to Parliament a law to bring the asset declaration regime into alignment with the applicable international good practices	Prior Action			
Publish online an independent audit of spending related to Covid-19 that was executed in 2020	End-April 2021	Improve accountability		
Enact the elimination of the seven remaining public agencies without economic justification	End-April 2021	Enhance governance and expenditure efficiency		
Submit to the National Assembly a new anti-corruption law that is consistent with the recommendations of the UNCAC	End-June 2021	Reduce corruption		
Publish the results of the tax audits of enterprises that fail to fulfill their tax obligations	End-June 2021	Reduce corruption and improve revenue collection		
Adopt a budget execution order that mandates the online publication of all public procurement contracts above a specified amount within 30 days of their award	End-September 2021	Enhance fiscal transparency		

Attachment II. Technical Memorandum of Understanding

1. **This Technical Memorandum of Understanding (TMU) defines the quantitative targets (performance criteria and indicative targets) and structural benchmarks that will be used to evaluate performance under the program for the Central African Republic (C.A.R.) presented in the Memorandum of Economic and Financial Policies (MEFP).** The TMU also establishes the framework and deadlines for the reporting of data that 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 C.A.R.** 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 (*Tableau des operations financières de l'État*—TOFE).

3. **Definition of debt.** The definition of debt is set out in point 8 of the Attachment to IMF Executive Board Decision No. 15688-(14/107):

(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, according to a specific schedule; these payments will discharge the obligor of 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 that 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 arrangements, 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 necessary for the operation, repair, or maintenance of the property.

(b) 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) **External debt** is defined as debt borrowed or serviced in a currency other than the CFA franc.

(d) **Domestic debt** is defined as debt borrowed or serviced in the CFA franc.

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.** A debt is considered concessional if its grant element is 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 at the date on which it is contracted is calculated by discounting the debt service payments at the time of the contracting of the debt. 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 financial asset sales, revenue from privatization or from the granting or renewal of licenses, and placement 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 settled.

8. **Wages and salaries** correspond to the compensation of government employees as described in paragraphs 6.8 to 6.18 of *GFSM 2014*, namely, all employees (permanent and temporary), including civil servants and 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 obligation (as defined in paragraph 3 above) that has not been repaid in conformity with the conditions specified in the pertinent contract establishing them.

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 to the Treasury directorate created by the entity responsible for authorizing expenditure payments but not yet paid 90 days after authorization to pay given by the Treasury directorate. Expenditure payment arrears so defined are part of "balances payable" (or "amounts due"). Balances payable correspond to government unpaid financial obligations and include the domestic floating debt in addition to expenditure arrears. They are defined as expenditures incurred, validated by the financial controller, settled ("authorized"), and assumed by the public Treasury directorate, but which have not yet been paid. These obligations include bills payable but not paid to public and private companies, but they do not include domestic debt financing (principal plus 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 debts. 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 pertinent contract.

B. Quantitative Targets

12. **The quantitative targets listed below are those specified in Table 1 of the MEFP.** Adjusters of the quantitative targets are specified in Section D**.** Unless otherwise indicated, all performance criteria and indicative benchmarks are assessed on a cumulative basis from the beginning of the calendar year in which they are set.

a) 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 other securitized debt issued by the government in the CEMAC regional financial market and denominated in CFA francs, 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 local 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, securitized debt (*obligations cautionnées*), and all deposits with the BEAC and commercial banks of government-owned entities, with the exception of industrial or commercial public agencies (*établissements publics à caractère industriel et commercial—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 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.

Ceiling on new external debt contracted or guaranteed by the government

- The government undertakes not to contract or guarantee **non-concessional loans.**

Non-accumulation of new external payment arrears by the government

- **The government undertakes not to accumulate external payment arrears**, with the exception of arrears relating to debt that is the subject of renegotiation or rescheduling. This quantitative performance criterion is applied on a continuous basis.

b) Indicative Targets

Floor for social spending.

- **Poverty-reducing social spending** comprises public 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 through extraordinary procedures

- This ceiling is set at 5 percent of total non-salary spending or debt service (principal and interest) and funded by external resources.

Floor for the payment of domestic arrears

• The government undertakes to settle on a priority basis **domestic arrears** that have been validated.

c) Memorandum item

Ceiling on new external concessional debt contracted or guaranteed by the government

• Recourse to concessional debt will be limited to investment projects that are essential for the country's development and for which it will not be possible to obtain grants.

d) Adjusters of Quantitative Targets

13. To take into account the factors or changes that are essentially outside the government's performance, **various quantitative targets for 2020 and beyond** will be adjusted as follows:

a. If the total revenue from privatization, sales of financial assets, or renewal of telecommunication 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 budget balance will be adjusted downward by an amount equivalent to 50 percent of these additional receipts.

b. If the total budget support is greater than the programmed amount, the following adjustments will be made:

i. The ceiling on net domestic financing of the government will be adjusted downward by an amount equivalent to 50 percent of the disbursements in excess of the programmed amounts;

ii. The floor for the primary domestic budget balance will be adjusted downward by an amount equivalent to 50 percent of the disbursements in excess of the programmed amounts.

c. If the total budget support is less than the programmed amount, 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 the remainder of disbursements programmed but not made, that is, 50 percent of the disbursements programmed but not made;

ii. The floor for the primary domestic budget balance will be adjusted upward by an amount equivalent to 50 percent of the disbursements programmed but not made.

C. Structural Benchmarks

a) Prior Actions

These measures need to be implemented prior to the discussion of the first and second reviews of the ECF arrangement by the IMF Executive Board.

Submit to Parliament a draft budget law for 2021 that is in line with program commitments.

- This draft should be in line with the commitments made under paragraph 23 of the MEFP and the performance criteria and indicative targets for 2021 (table 2).

Capture all the 2018 and 2019 corporate tax returns into the SYSTEMIF IT system

- All corporate tax returns for 2018 and 2019 should be entered into the SYSTEMIF IT system.

Submit to Parliament a law to bring the asset declaration regime into alignment with the applicable international good practices.

- This law will, among other things, specify the persons subject to the asset declaration requirement, the range of assets that must be declared, the modality for publishing declarations, and penalties in the event of failure to comply with this law.

b) Structural Benchmarks

Deploy e-procedures (declaration and payments) for large companies.

- Online procedures for filing tax returns and making tax payments are expected to be put into place for large taxpayers before end-December 2020.

Publish online an independent audit of the spending related to Covid-19 that was executed in 2020.

- This audit will be for all spending related to Covid-19, including spending in the supplementary budget law for 2020. The Court of auditors (Cour des Comptes) will conduct this audit and it should be published in its entirety on a government website by end-April 2021.

Enact the elimination of the seven remaining public agencies without economic justification.

- The elimination of these seven agencies without economic justification should take effect by end-April 2021. The seven agencies to be eliminated are: the Autonomous Electricity Sector Regulation Agency (ARSEC); the Minerals and Gems Facility (COMIGEM); the Agency for Stabilization and Regulation of Petroleum Product Prices (ASRP); the National Environment Fund (FNE); the Mining Development Fund (FMN); the Development Agro-Pastoral Fund (FDAP); and the Special Earmarked Fund for the Development of Tourism and Crafts (CAS-DTA).

Submit to the National Assembly a new anti-corruption law that is consistent with the recommendations of the United Nations Convention against Corruption.

- This new anti-corruption law should be consistent with the United Nations Convention against Corruption and reflect the relevant recommendations of the Financial Action Task Force and be submitted to Parliament by end-June 2021.

Publish the results of the tax audits of enterprises that fail to fulfill their tax obligations.

- The enterprises that are to be audited are defined in paragraph 27 of the MEFP. The following should notably be published by end-June 2021: the number of audits conducted; the percentage of enterprises in compliance with their tax obligations; amounts to be collected; the number of adjustments made; amounts notified (averages, medians and totals); business areas concerned; volumes of new taxpayers identified; and the progression of taxpayer compliance.

Adopt a budget execution order that mandates the online publication of all public procurement contracts above a specified amount within 30 days of their award.

- This order should apply to all public procurement contracts over CFAF 5 million, and it should provide for the publication of their full text on the Ministry of Finance and Budget's website. In addition to the public procurement contracts, the names of the companies that won the contracts should be published, as well as of their beneficial owners and the criteria used to choose them. It should be adopted by end-September 2021.

D. Reporting of data to the IMF

15. Quantitative data on the government's indicative targets will be reported to IMF staff according to the frequency described 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 that is necessary for monitoring the program and to whether we have achieved the program objectives.

Table 1. Central African Republic: Reporting of Data to the IMF under the ECF Funding 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 payment arrears on goods and services and on wages, including unpaid pensions and bonuses	Within four weeks of the end of each month
Stock of external debt at end of period	Within four weeks of the end of each month
Breakdown of expenditures listed in the TOFE (goods, services, wages, interest, etc.)	Within four weeks of the end of each month
Summary table of actual expenditures in priority areas, such as health, education, and security	Within four weeks of the end of each quarter
Breakdown of current expenditure and capital disbursements, 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
Revenues 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, particularly by interest and principal, 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 relief of external debt 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

December 21, 2020

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVERS OF NON-OBSERVANCE OF PERFORMANCE CRITERIA —DEBT SUSTAINABILITY ANALYSIS

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

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

The Central African Republic (C.A.R.) remains at high risk of external debt distress and overall high risk of debt distress, unchanged from the most recent DSA.[2] Solvency indicators have deteriorated relative to the previous DSAs, and liquidity indicators breach their thresholds under the baseline scenario. Sensitivity of debt indicators to standard stress tests, increased uncertainty of the economic outlook owing to the pandemic, a volatile security environment, and sizeable contingent liabilities are all considerations supporting the high-risk assessment. Debt is projected to remain sustainable over the medium term provided that the policies and structural reforms to which the authorities committed to under the ECF arrangement continue to be implemented. Given the difficult debt situation, staff recommend that the government continues to rely heavily on grant financing, with concessional debt financing to be considered in exceptional cases.[3]

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

[2] Country Report No. 20/137, April 2020.

[3] With a score of 2.42, C.A.R.'s composite indicator signals a weak debt-carrying capacity (Text Table 3).

PUBLIC DEBT COVERAGE

1. **The coverage of public sector debt is in line with the previous DSA, exhibiting some gaps.** Information is available on the central government's contractual debt obligations. State and local governments do not borrow, there are no social security funds guaranteed by the public sector, and the government has not guaranteed other debt (Text Table 1).

2. **Compared to the last DSA, the end-2019 debt stock has been revised downward, while some moderate contingent liabilities are likely to materialize.** The downward revision of the public debt, from 47.8 percent of GDP to 47.2 percent at end 2019, primarily reflects the latest debt restructuring from China, FIDA and Telco BG for a total of CFAF 8 billion.

3. [4] **Since then, about CFAF 6 billion in additional arrears have been identified, including about CFAF 3 billion in pensions arrears, CFAF 2 billion in salary arrears to former state agents of Bangui Municipality and the Parliament, and CFAF 1 billion in commercial arrears.**

4. **The implementation of the new legal framework governing SOEs will improve their financial oversight, which, along with other steps, should lead to better debt coverage going forward.** The implementing decrees of the new legal framework governing the functioning of public and quasi-public institutions and enterprises were adopted at the beginning of October and the debt unit continues to improve its capacity through training and better IT systems supported by development partners. Better communication between the debt unit and the Treasury should also help avoiding the recurrence of recent temporary delays in the repayment of external debt obligations.[5]

5. **The contingent liabilities stress test assumes a shock of 15 percent of GDP for its tailored portion (Text Table 1).** This significant amount reflects the uncertainty about non-guaranteed SOE debt and arrears, potential additional domestic arrears, and financial market risks. The contingent liabilities shock from SOE debt is set at 5 percent of GDP (instead of 2 percent for its default value) to reflect heightened risks associated with non-guaranteed SOE debt and potential expenditure arrears. The shock from domestic arrears is set at 5 percent of GDP to incorporate past and persisting shortcomings in the country's public expenditure management systems. The financial market risk shock is kept at the minimum default value of 5 percent of GDP given the small size and depth and relatively robust financial position of the financial sector in C.A.R.

[4] Excluding the pre-HIPC arrears, the public debt stock amounted to 37.9 percent of GDP at end-2019.

[5] The WB's SDFP supports government's effort to strengthen the governance and oversight of SOEs, including audit of SOEs' financial statements and reporting of debt.

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)	X
8	Non-guaranteed SOE debt	

1	**The country's coverage of public debt**	The central, state, and local governments plus social security, central bank, government-guaranteed debt			
		Default		**Used for the analysis**	**Reasons for deviations from the default settings**
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	

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

Source: IMF staff estimates and country authorities

BACKGROUND ON DEBT

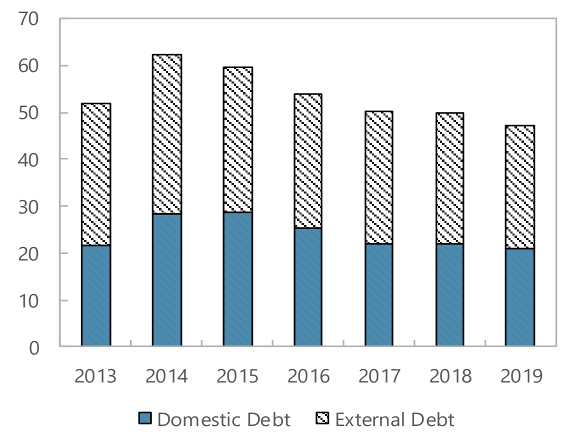
6. C.A.R.'s public and publicly guaranteed (PPG) debt has continued to gradually decline. (Text Figure 1). The end-2019 public debt to GDP ratio is now estimated at 47.2 percent (compared to 50 percent a year earlier), with the external debt to GDP ratio remaining steady at 36.1 percent at end 2019 (Text Figure 1).[6,7] However, the public debt to GDP ratio is now expected to slightly increase this year because of the Covid-19 pandemic, before resuming its downward trend from 2021 onwards.

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

[7] Excluding pre-HIPC arrears, the external debt stock amounted to 26.8 percent of GDP at end-2019. Pre-HIPC arrears are owed to Non- Paris Club creditors (Argentina, Equatorial Guinea, Iraq, Libya, and Taiwan, province of China). These arrears are expected to be rescheduled on HIPC terms. Authorities are pursuing their good faith efforts in contacting those Non-Paris Club creditors.

7. The government has not contracted any new loan since the last DSA. Beside the RCF disbursement already incorporated in the DSA of April 2020, there has been no new loan contracted or disbursed this year. The disbursements have been limited to US$ 9.5 million from the existing World Bank loan pertaining to the CEMAC transportation project, which has been extended to February 2020. The authorities temporarily accumulated some external debt arrears to IFAD, which have since been repaid. They are planning to strengthen their debt management procedures to avoid the accumulation of such arrears in the future.

Text Figure 1. Central African Republic: Evolution of Public Sector Debt, 2013–19
(percent of GDP)



Sources: IMF staff estimates and country authorities

8. Pre-HIPC arrears and debt owed to multilateral creditors continue to account for the bulk of external debt. Multilateral creditors, mainly the IMF and the World Bank, hold almost half of the external debt. Since April 2020, C.A.R. has benefited from a debt service relief from the IMF under the CCRT for an initial period of 6 months that was extended for another 6 months, for a total amount of US$ 8.1 million. Bilateral debt amounts to 6.7 percent of GDP, with China, Congo, India, and Saudi Arabia being the main creditors.[8]. The average nominal interest rate stood at 0.5 percent for external debt in 2020, reflecting the preponderance of concessional borrowing. More than half of the domestic debt consists of statutory and exceptional advances from the Central Bank, which have been consolidated into one loan to be repaid from 2022 onwards, in line with regional arrangements. The remainder mainly includes officially recognized arrears amounting to 2.9 percent of GDP.

[8] India, China, and Saudi Arabia participated in the G20 Debt Service Suspension Initiative to C.A.R., along with Kuwait for an amount of US$ 3.5 million from May to December 2020.

Text Table 2. Central African Republic: Composition of Public Sector Debt, 2019
(percent of GDP)

External Debt		Domestic debt	
Total	36.1	Total	11.1
Of which :		Of which:	
Multilateral	17.2	Central Bank	6.0
IMF	9.8	Arrears	2.9
World Bank	4.8	Other	2.2
Others	2.6		
Bilateral	6.7		
Private	2.9		
Pre-HIPC	9.3		

Source: IMF Staff calculations and country authorities

UNDERLYING MACROECONOMIC ASSUMPTIONS

9. Compared with the RCF, short-term growth projections have been revised downward, reflecting the more protracted economic impact of the pandemic. Risks are tilted to the downside, owing to a large extent to the uncertainty surrounding the pandemic.

- The current account balance is expected to deteriorate in 2020 owing to the pandemic and an increase in externally financed public investment but would improve over the medium term thanks to a gradual increase in exports.
- After increasing sharply in 2020 owing to the impact of the pandemic on doemstic revenue and additional spedning to contain it, the domestic primary deficit would decline and stabilize at 2½ percent of GDP over the medium term**.** Grant financing would gradually decline.
- After stagnating in 2020, real GDP growth is expected to recover gradually to 5 percent over the medium term

Text Table 3. Central African Republic: Macroeconomic Assumptions

	DSA-RCF		DSA-update	
	2020-25 average	2026-40 average	2020-25 average	2026-40 average
	(% of GDP)		(% of GDP)	
GDP growth (percent change)	4.2	3.6	3.9	4.3
GDP deflator (percent change)	2.8	2.7	2.4	2.5
Non-interest current account balance	-5.6	-3.0	-6.0	-3.4
Exports	14.9	15.3	14.7	15.5
Primary balance	-0.8	-1.0	-0.9	-1.0
Revenues and grants	18.2	16.5	18.5	16.6

Source: IMF Staff estimates and projections

10. There has been no major changes to the long-term macroeconomic projections since the last DSA (Text Table 2).

- External sector projections remain broadly unchanged. Current transfers are expected to decline and FDI to increase gradually from a low level. Overall, the non-interest current account deficit is expected to reach 3 percent of GDP in the long run owing to the expected increase in exports as a result of reforms geared to improving diversifications and adding value to exisitng exports.

- Domestic revenues are assumed to follow a gradual upward trend, reaching 14 percent of GDP at the end of the projection period. The improvement of domestic revenue collection in the long run is attributed to the implementation of fiscal structural benchmarks (from digitalization to legislative strengthening) and receipt of technical assistance in improving data collection and standards. The fiscal primary surplus is expected to turn into a deficit of 1 percent of GDP over the long run as grant financing gradually declines.

- After increasing sharply in the short run, budget grants are assumed to decline in the long run, from an average of 7.5 percent of GDP during 2020–25 to 2 percent of GDP by 2040. The financing needs in the short run are covered by deposit withdrawals while it is assumed that 80 percent of longer-term needs would be covered through external concessional borrowing—with a gradually decreasing degree of concessionality—and the remaining 20 percent through domestic borrowing.

- Long-run growth projections (2026–40) have been revised slightly upward, from 3.6 percent in the previous DSA to 4.3 percent to better align them with those of comparator countries. This implies modest per-capita GDP growth as population growth is estimated at about 2.5 percent over the long term.

11. The realism tools do not flag significant risks around the baseline scenario (Figures 3 and 4). Both external PPG and public debt projections are in line with the previous DSA. Factors contributing to debt dynamics appear broadly in line with historical contributions. Unexpected changes in external debt are not far from the median for all LICs. The envisaged fiscal path is in line with the historical performance and the experience in other LIC countries. It is also worth noting that, in the case of C.A.R., changes in the primary balance are not always a good indicator to gauge the impact of fiscal policy. Hence, owing to higher program grants, the primary balance is expected to be essentially the same in 2020 s in 2018, while fiscal policy is likely to prove more expansionary (with lower domestic revenue and significant higher spending).

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

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.524	0.97	40%
Real growth rate (in percent)	2.719	4.188	0.11	5%
Import coverage of reserves (in percent)	4.052	31.303	1.27	52%
Import coverage of reserves^2 (in percent)	-3.990	9.799	-0.39	-16%
Remittances (in percent)	2.022	0.000	0.00	0%
World economic growth (in percent)	13.520	3.499	0.47	19%
CI Score			2.44	100%
CI rating			Weak	

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

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

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

DEBT SUSTAINABILITY

A. External Debt Sustainability Analysis

12. **Relative to the previous DSAs, the solvency has deteriorated as the PV of external debt-to-export ratio breaches the threshold under the current baseline scenario** (Figure 1). Under the baseline scenario, the present values (PV) of the and debt-to-exports ratios breach the threshold and decline from their initial level over the projection period. The PV of the external debt-to-GDP ratio remains below the threshold under the baseline scenario and would breach the thresholds for the most extreme standardized stress test (a combination of a shock to growth, the primary balance, exports, other non-debt creating flows, and depreciation). Setting key variables to their historical average would result in a clear upward trend of both debt ratios, mainly because of the large shocks and conflicts that occurred in the past (such as the 2013 crisis).

13. **Liquidity indicators of the external PPG debt breach their thresholds for about five years under the baseline scenario** (Figure 1). The external debt service-to-exports ratio breaches the threshold from 2024–28, driven by a significant uptick of debt service during that period related to the end of the grace period of a loan, as well as significant repayments to the Fund. The trajectory of the external debt service-to-revenue ratio is similar, even if the breach is of a slightly lesser magnitude. While both breaches are similar to those in the previous DSA of April 2020, they have been accentuated by the RCF disbursement when compared to those at the time of the ECF request. These breaches have also been marginally accentuated compared to the previous DSA of April 2020, because of the increase in the debt service in 2022-24 following the debt service suspension (DSSI) that was postponed to these years, and of the lower revenue in years 2024-28 due to the compound effect of lower growth rates in 2020 and 2021 compared to the RCF DSA. Significant and persistent breaches of the external debt service-to-exports ratio and the external debt service-to-revenue ratio would happen under the historical scenario and the most extreme standardized stress test (standardized shocks to exports and to growth respectively).

B. Public Debt Sustainability Analysis

The total PPG debt indicator remains well below its benchmark under the baseline scenario (Figure 2). In addition, the PV of the debt-to-revenue ratio is declining over the projection period. The debt-service-to-revenue and grants ratio is set to rise until 2025 reflecting the start of repayments of exceptional and statutory advances to BEAC and higher external debt service payments. A standardized shock to growth would trigger a breach of the treshold for the PV of the debt-to-GDP ratio and lead to a significant increase of the PV of the debt-to-revenue ratio.[9] It is also worth noting that public debt indicators could worsen owing to contingent liabilities. Adding domestic debt to the analysis does not change the overall risk of debt distress.

CONCLUSION

14. C.A.R remains at high risk of external debt distress and overall high risk of debt distress. The solvency indicators have deteriorated relative to the previous DSAs. C.A.R.'s capacity to service debt is severly constrained by its low revenue mobilization and weak export base, with the external debt service-to-export and external debt service-to-revenue ratios breaching their respective thresholds under the baseline scenario.

15. A number of other considerations support the high-risk assessment. Macroeconomic projections are highly uncertain, as a resurgence of the pandemic cannot be excluded and the security environment remains voltile. Standardized stress tests also underline the sensitivity of the debt indicators to assumptions. Lower export growth or further revisions to real GDP would trigger a significant deterioration of debt sustainability indicators with multiple threshold breaches. In addition, sizeable contingent liabilities, mostly related to the SOEs, could materialize.

16. The authorities broadly agreed with this assessment. They shared the view that C.A.R.'s capacity to service debt is limited and are committed to strengthening debt monitoring, to mobilizing domestic revenues and grant financing to cover their financing needs to the largest extent possible.

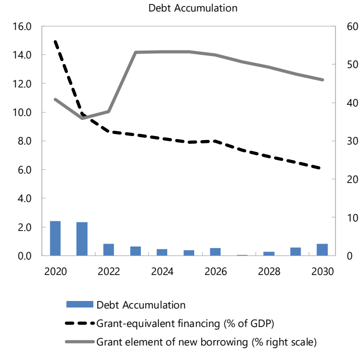
[9] The shock assumes real GDP growth of one standard deviation below its historical average in the second and third year of the projection period.

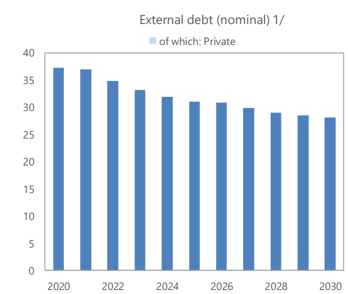
Table 1. Central African Republic: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	35.5	37.2	36.1	37.3	36.9	34.8	33.2	31.9	31.0	28.1	23.4	28.6	31.9
of which: public and publicly guaranteed (PPG)	35.5	37.2	36.1	37.3	36.9	34.8	33.2	31.9	31.0	28.1	23.4	28.6	31.9
Change in external debt	0.4	1.8	-1.1	1.2	-0.3	-2.2	-1.6	-1.2	-0.9	-0.4	0.0		
Identified net debt-creating flows	2.9	3.9	3.8	7.1	3.9	2.6	2.5	2.6	2.8	0.0	-0.3	6.0	2.5
Non-interest current account deficit	7.7	7.8	4.8	7.4	5.9	5.4	5.4	5.3	5.4	2.9	2.8	7.1	5.0
Deficit in balance of goods and services	16.4	17.8	18.3	19.4	17.0	16.0	15.5	15.4	14.9	11.2	9.0	15.0	14.5
Exports	15.9	15.9	15.8	13.6	14.2	15.0	15.0	15.0	15.3	16.1	14.5		
Imports	32.4	33.7	34.1	33.0	31.2	31.0	30.5	30.3	30.2	27.3	23.5		
Net current transfers (negative = inflow)	-8.8	-9.9	-13.6	-12.0	-11.1	-10.5	-10.1	-9.9	-9.4	-8.1	-5.8	-7.8	-9.4
of which: official	-3.2	-4.4	-7.3	-7.4	-5.6	-5.2	-4.7	-4.2	-3.8	-3.8	-3.0		
Other current account flows (negative = net inflow)	0.0	-0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.4	-0.1	-0.1
Net FDI (negative = inflow)	-0.8	-0.8	-1.1	-0.4	-1.0	-1.3	-1.4	-1.4	-1.3	-1.9	-2.4	-1.3	-1.4
Endogenous debt dynamics 2/	-4.1	-3.1	0.2	0.2	-1.0	-1.5	-1.4	-1.3	-1.3	-0.9	-0.6		
Contribution from nominal interest rate	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3		
Contribution from real GDP growth	-1.4	-1.2	-1.1	0.0	-1.2	-1.7	-1.6	-1.5	-1.5	-1.1	-0.9		
Contribution from price and exchange rate changes	-2.8	-2.0	1.2	...	...	...	...	...	...	...	...		
Residual 3/	-2.5	-2.2	-5.0	-6.0	-4.2	-4.7	-4.1	-3.9	-3.7	-0.4	0.3	-3.2	-3.2
of which: exceptional financing	0.2	0.0	0.0	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	18.2	20.1	20.2	19.4	18.6	17.7	16.8	13.9	14.6		
PV of PPG external debt-to-exports ratio	...	...	115.2	147.9	142.3	129.2	123.9	118.1	110.0	86.4	100.2		
PPG debt service-to-exports ratio	1.7	3.9	3.7	6.6	6.1	8.1	8.3	10.8	12.0	7.6	5.8		
PPG debt service-to-revenue ratio	3.6	7.0	6.6	10.5	9.3	11.8	11.6	14.8	16.5	10.2	6.1		
Gross external financing need (Million of U.S. dollars)	148.8	173.7	96.4	182.2	148.5	149.4	156.7	181.8	205.5	105.8	114.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.5	3.8	3.0	0.0	3.5	5.0	5.0	5.0	5.0	4.2	4.2	-0.2	4.2
GDP deflator in US dollar terms (change in percent)	8.6	6.0	-3.0	2.1	7.4	3.2	2.8	2.5	2.4	2.5	2.6	2.5	2.9
Effective interest rate (percent) 4/	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.6	0.7	0.8	1.2	1.1	0.7
Growth of exports of G&S (US dollar terms, in percent)	0.3	10.2	-1.3	-11.7	15.9	14.7	7.7	7.5	9.7	6.8	5.7	6.1	7.7
Growth of imports of G&S (US dollar terms, in percent)	6.8	14.6	1.0	-1.2	5.2	7.6	6.2	7.0	7.1	4.6	5.8	7.8	5.1
Grant element of new public sector borrowing (in percent)	...	...	...	40.8	35.9	37.6	53.1	53.3	53.2	46.0	33.6	...	47.3
Government revenues (excluding grants, in percent of GDP)	7.8	8.9	8.7	8.5	9.3	10.2	10.7	10.9	11.1	12.0	13.7	8.0	10.8
Aid flows (in Million of US dollars) 5/	14434.2	24576.8	9719.7	346.6	238.7	236.3	235.2	233.7	238.4	251.7	230.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	14.9	9.8	8.7	8.4	8.2	7.9	6.1	2.9	...	8.4
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	86.3	82.8	89.2	90.2	87.5	85.2	82.0	68.0	...	84.8
Nominal GDP (Million of US dollars)	2,072	2,280	2,277	2,324	2,584	2,801	3,023	3,252	3,496	4,906	9,518		
Nominal dollar GDP growth	13.5	10.0	-0.1	2.1	11.1	8.4	7.9	7.6	7.5	6.8	6.9	2.1	7.2
Memorandum items:													
PV of external debt 7/	...	...	18.2	20.1	20.2	19.4	18.6	17.7	16.8	13.9	14.6		
In percent of exports	...	...	115.2	147.9	142.3	129.2	123.9	118.1	110.0	86.4	100.4		
Total external debt service-to-exports ratio	1.7	3.9	3.7	6.6	6.1	8.1	8.3	10.8	12.0	7.6	5.8		
PV of PPG external debt (in Million of US dollars)			413.4	468.3	522.4	543.9	561.5	575.1	587.9	681.4	1385.1		
(PVt-PVt-1)/GDPt-1 (in percent)				2.4	2.3	0.8	0.6	0.5	0.4	0.8	1.3		
Non-interest current account deficit that stabilizes debt ratio	7.3	6.0	5.9	6.2	6.3	7.6	7.0	6.6	6.3	3.2	2.7		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Εα (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, Ε=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.

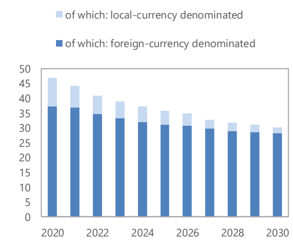
Table 2. Central African Republic: Public Sector Debt Sustainability Framework, Baseline Scenario 2017–40

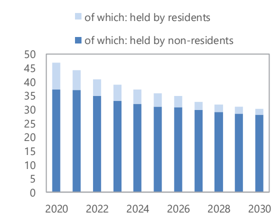
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	**50.3**	**50.0**	**47.2**	**46.8**	**44.1**	**40.9**	**38.8**	**37.2**	**35.8**	**30.2**	**27.1**	**44.6**	**36.7**
of which: external debt	**35.5**	**37.2**	**36.1**	**37.3**	**36.9**	**34.8**	**33.2**	**31.9**	**31.0**	**28.1**	**23.4**	**28.6**	**31.9**
Change in public sector debt	-3.6	-0.2	-2.9	-0.4	-2.7	-3.2	-2.1	-1.7	-1.3	-0.8	0.3		
Identified debt-creating flows	**-7.9**	**0.0**	**-3.0**	**1.1**	**-2.0**	**-2.9**	**-2.0**	**-1.6**	**-1.3**	**-0.8**	**0.3**	**0.7**	**-1.2**
Primary deficit	**0.7**	**0.6**	**-1.8**	**2.1**	**1.0**	**0.1**	**0.3**	**0.8**	**1.3**	**0.9**	**1.5**	**0.8**	**0.9**
Revenue and grants	12.8	16.6	18.3	21.8	18.0	18.3	18.1	17.7	17.4	16.9	15.9	**13.9**	**17.9**
of which: grants	5.0	7.8	9.6	13.3	8.7	8.0	7.4	6.8	6.3	4.9	2.2		
Primary (noninterest) expenditure	13.5	17.2	16.6	23.9	18.9	18.3	18.3	18.6	18.7	17.8	17.5	**14.6**	**18.8**
Automatic debt dynamics	**-8.6**	**-0.8**	**-1.4**	**-0.5**	**-2.3**	**-2.8**	**-2.6**	**-2.4**	**-2.2**	**-1.6**	**-1.2**		
Contribution from interest rate/growth differential	-5.2	-2.2	-2.2	-0.5	-2.3	-2.8	-2.6	-2.4	-2.2	-1.6	-1.2		
of which: contribution from average real interest rate	-2.8	-0.3	-0.8	-0.5	-0.7	-0.7	-0.6	-0.5	-0.5	-0.4	-0.1		
of which: contribution from real GDP growth	-2.3	-1.8	-1.4	0.0	-1.6	-2.1	-2.0	-1.8	-1.8	-1.2	-1.1		
Contribution from real exchange rate depreciation	-3.5	1.3	0.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.2**	**0.1**	**-0.5**	**-0.6**	**-0.2**	**0.3**	**-0.1**	**-0.3**	**0.0**	**0.0**	**0.0**	**-0.1**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of arrears	0.0	0.0	0.0	0.3	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	-0.3	-0.4	0.0	0.0	0.0	0.0	0.0	0.0		
Change in deposits	0.0	0.2	0.1	-0.5	-0.3	-0.2	0.3	-0.1	-0.3	0.0	0.0		
Residual	**4.3**	**-0.2**	**0.1**	**-1.4**	**-0.7**	**-0.2**	**-0.1**	**-0.1**	**0.0**	**0.0**	**0.0**	**1.9**	**-0.4**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**29.4**	**29.1**	**27.3**	**25.6**	**24.3**	**22.9**	**21.7**	**16.0**	**18.2**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**160.1**	**133.7**	**152.0**	**140.1**	**134.2**	**129.5**	**124.4**	**94.6**	**114.4**		
Debt service-to-revenue and grants ratio 3/	**9.1**	**18.7**	**17.1**	**12.4**	**17.5**	**12.7**	**13.2**	**17.5**	**20.8**	**15.6**	**16.4**		
Gross financing need 4/	1.9	3.9	1.5	4.8	3.7	2.3	2.6	3.9	4.9	3.4	4.1		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.5	3.8	3.0	0.0	3.5	5.0	5.0	5.0	5.0	4.2	4.2	**-0.2**	**4.2**
Average nominal interest rate on external debt (in percent)	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.6	0.7	0.8	1.3	**1.1**	**0.7**
Average real interest rate on domestic debt (in percent)	-5.3	-0.4	-0.7	-0.2	-0.4	0.1	0.3	0.7	1.1	3.3	5.3	**-1.9**	**1.2**
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.9	4.0	2.4	...	...	...	...	...	...	...	...	**2.9**	**...**
Inflation rate (GDP deflator, in percent)	6.4	1.3	2.4	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.6	**4.5**	**2.4**
Growth of real primary spending (deflated by GDP deflator, in percent)	22.4	31.9	-0.8	44.3	-18.1	1.6	5.1	6.2	5.9	3.1	4.4	**3.1**	**5.7**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	4.4	0.8	1.1	2.5	3.7	3.2	2.4	2.5	2.6	1.7	1.2	**2.1**	**2.5**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

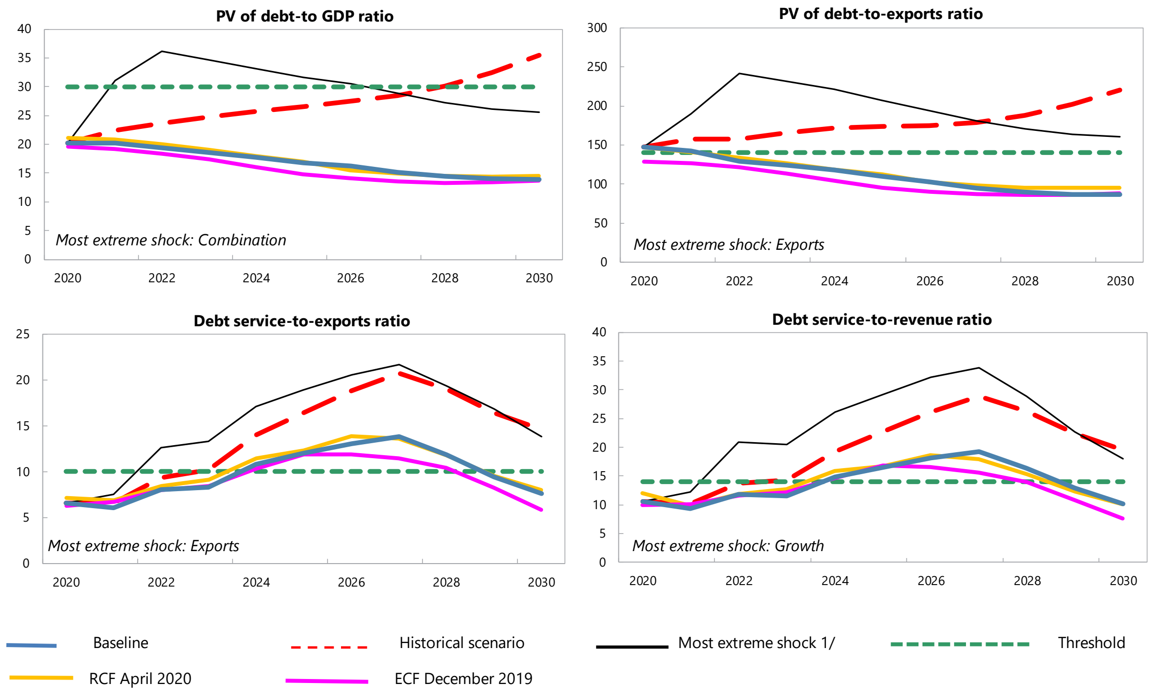
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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

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

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

Figure 1. Central African Republic: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2020–30



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price 2/	n.a.	n.a.
Market financing	n.a.	n.a.

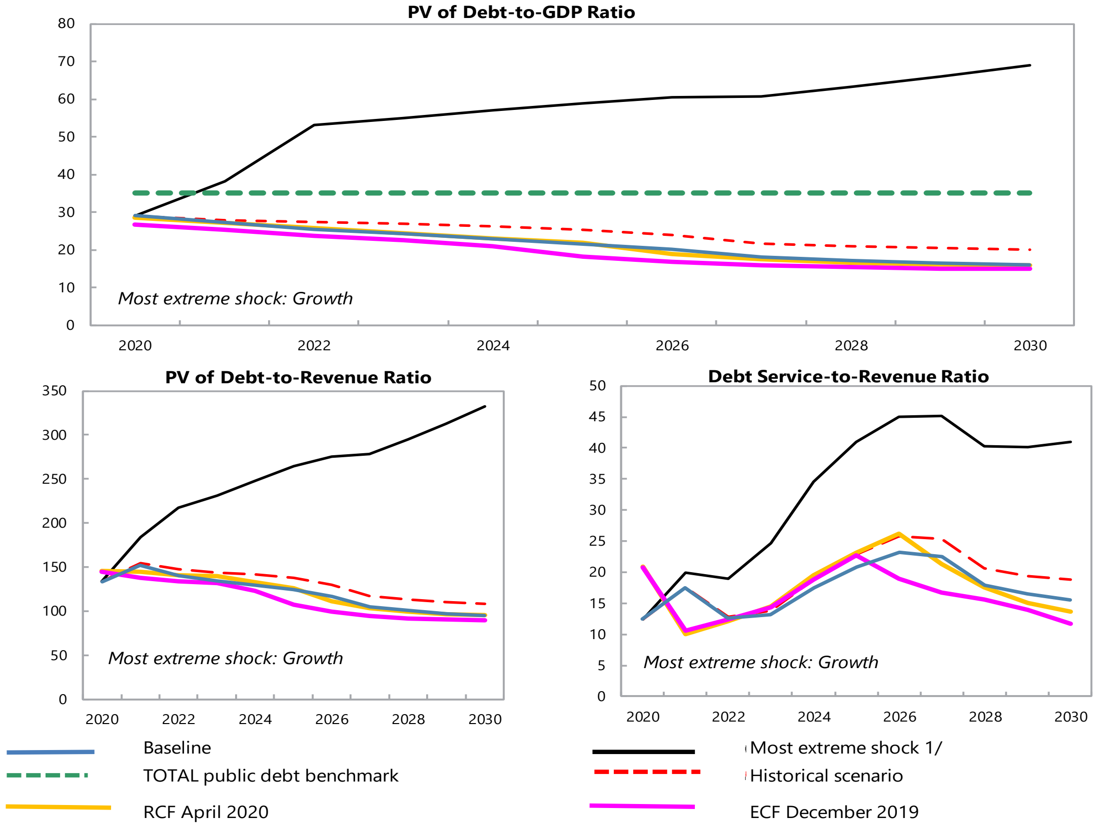
Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions 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	0.7%	0.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	6	6

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

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.
2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Central African Republic: Indicators of Public Debt Under Alternative Scenarios, 2020–30



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	76%	76%
Domestic medium and long-term	8%	8%
Domestic short-term	16%	16%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.7%	0.8%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.8%	5.4%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	2.6%	2.0%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	20	20	19	19	18	17	16	15	14	14	14
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	20	22	24	25	26	26	27	28	**30**	**33**	**35**
A2. ECF December 2019	20	19	18	17	16	15	14	14	13	13	14
A3. RCF April 2020	21	21	20	19	18	17	16	15	15	14	15
B. Bound Tests											
B1. Real GDP growth	20	26	**34**	**33**	**31**	30	29	27	25	25	25
B2. Primary balance	20	21	21	20	20	19	18	17	16	16	15
B3. Exports	20	22	24	23	22	21	20	19	18	17	17
B4. Other flows 3/	20	24	27	26	25	24	23	22	21	20	19
B5. Depreciation	20	25	21	20	19	18	17	16	15	15	15
B6. Combination of B1-B5	20	**31**	**36**	**35**	**33**	**32**	**31**	29	27	26	26
C. Tailored Tests											
C1. Combined contingent liabilities	20	26	26	25	24	23	23	21	21	20	20
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	**148**	**142**	129	124	118	110	103	95	90	87	86
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**148**	**157**	**157**	**165**	**172**	**173**	**175**	**178**	**188**	**202**	**221**
A2. ECF December 2019	**129**	**127**	**122**	**114**	**105**	**95**	**91**	**87**	**86**	**86**	**88**
A3. RCF April 2020	**147**	**141**	**133**	**127**	**119**	**112**	**103**	**99**	**96**	**95**	**95**
B. Bound Tests											
B1. Real GDP growth	**148**	**142**	129	124	118	110	103	95	90	87	86
B2. Primary balance	**148**	**147**	139	136	131	121	114	106	100	97	96
B3. Exports	**148**	**190**	**241**	**232**	**221**	**207**	**194**	**181**	**171**	**164**	**160**
B4. Other flows 3/	**148**	**172**	**182**	**175**	**167**	**157**	**147**	138	130	124	120
B5. Depreciation	**148**	**142**	110	106	100	93	87	80	75	74	74
B6. Combination of B1-B5	**148**	**204**	**160**	**206**	**197**	**185**	**173**	**161**	**151**	**145**	**142**
C. Tailored Tests											
C1. Combined contingent liabilities	**148**	**182**	**171**	**169**	**163**	**153**	**144**	134	128	125	123
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	7	6	8	8	**11**	**12**	**13**	**14**	**12**	9	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	7	7	9	**10**	**14**	**16**	**19**	**21**	**19**	**16**	**15**
A2. ECF December 2019	6	7	8	8	**10**	**12**	**12**	**11**	**10**	8	6
A3. RCF April 2020	7	7	8	9	**11**	**12**	**14**	**14**	**12**	10	8
B. Bound Tests											
B1. Real GDP growth	7	6	8	8	**11**	**12**	**13**	**14**	**12**	9	8
B2. Primary balance	7	6	8	8	**11**	**12**	**13**	**14**	**12**	**10**	8
B3. Exports	7	8	**13**	**13**	**17**	**19**	**21**	**22**	**19**	**17**	**14**
B4. Other flows 3/	7	6	8	9	**11**	**13**	**14**	**14**	**14**	**12**	**10**
B5. Depreciation	7	6	8	8	**11**	**12**	**13**	**14**	**12**	8	7
B6. Combination of B1-B5	7	7	**11**	**12**	**15**	**17**	**18**	**19**	**18**	**15**	**12**
C. Tailored Tests											
C1. Combined contingent liabilities	7	6	9	9	**11**	**13**	**14**	**14**	**12**	10	8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	10	9	12	12	**15**	**17**	**18**	**19**	**16**	13	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	10	10	14	**14**	**19**	**23**	**26**	**29**	**26**	**22**	**20**
A2. ECF December 2019	10	10	12	12	**15**	**17**	**17**	**16**	14	11	8
A3. RCF April 2020	12	10	12	13	**16**	**17**	**19**	**18**	**15**	12	10
B. Bound Tests											
B1. Real GDP growth	10	12	**21**	**20**	**26**	**29**	**32**	**34**	**29**	**23**	**18**
B2. Primary balance	10	9	12	12	**15**	**17**	**18**	**19**	**17**	14	11
B3. Exports	10	9	12	12	**16**	**17**	**19**	**20**	**18**	**15**	12
B4. Other flows 3/	10	9	12	13	**16**	**17**	**19**	**20**	**19**	**17**	14
B5. Depreciation	10	12	**15**	14	**18**	**20**	**22**	**24**	**20**	**14**	11
B6. Combination of B1-B5	10	12	**19**	**18**	**23**	**26**	**28**	**30**	**28**	**23**	**18**
C. Tailored Tests											
C1. Combined contingent liabilities	10	9	13	12	**16**	**17**	**19**	**20**	**17**	13	11
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 4. Central African Republic: Sensitivity Analysis for Key Indicators of Public Debt, 2020–30

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	29	27	26	24	23	22	20	18	17	17	16
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	29	28	27	27	26	25	24	22	21	20	20
A2. ECF December 2019	27	25	24	23	21	18	17	16	15	15	15
A3. RCF April 2020	28	27	26	24	23	22	19	18	17	16	16
B. Bound Tests											
B1. Real GDP growth	29	**38**	**53**	**55**	**57**	**59**	**61**	**61**	**63**	**66**	**69**
B2. Primary balance	29	29	28	27	25	24	22	20	19	18	18
B3. Exports	29	29	30	28	27	25	24	22	21	20	19
B4. Other flows 3/	29	31	33	32	30	29	27	25	24	22	21
B5. Depreciation	29	33	30	27	25	22	20	16	14	13	11
B6. Combination of B1-B5	29	30	32	32	30	29	28	25	24	23	23
C. Tailored Tests											
C1. Combined contingent liabilities	29	**37**	34	32	30	29	27	25	24	23	22
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	134	152	140	134	130	124	117	105	101	97	95
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	134	154	147	144	141	138	130	117	113	110	108
A2. ECF December 2019	144	137	134	132	123	107	100	94	92	90	90
A3. RCF April 2020	146	144	141	140	133	126	111	104	99	97	95
B. Bound Tests											
B1. Real GDP growth	134	184	217	231	247	264	275	279	295	313	332
B2. Primary balance	134	161	156	148	143	138	130	117	112	108	105
B3. Exports	134	160	163	156	151	146	138	125	120	116	112
B4. Other flows 3/	134	175	183	176	171	166	157	144	138	132	127
B5. Depreciation	134	189	170	157	145	133	116	96	85	76	69
B6. Combination of B1-B5	134	164	163	164	160	156	150	137	133	129	127
C. Tailored Tests											
C1. Combined contingent liabilities	134	206	188	177	171	166	157	143	138	134	131
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	12	17	13	13	18	21	23	22	18	16	16
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	12	18	13	14	19	23	26	25	21	19	19
A2. ECF December 2019	21	11	12	14	19	23	19	17	16	14	12
A3. RCF April 2020	21	10	12	14	20	23	26	21	17	15	14
B. Bound Tests											
B1. Real GDP growth	12	20	19	25	35	41	45	45	40	40	41
B2. Primary balance	12	17	14	16	19	22	23	23	18	17	16
B3. Exports	12	17	13	14	18	21	23	23	19	18	17
B4. Other flows 3/	12	17	13	14	18	21	24	23	20	19	18
B5. Depreciation	12	18	15	15	20	24	27	27	21	19	17
B6. Combination of B1-B5	12	18	14	15	22	27	29	29	24	23	22
C. Tailored Tests											
C1. Combined contingent liabilities	12	17	26	22	21	23	24	23	19	17	16
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.

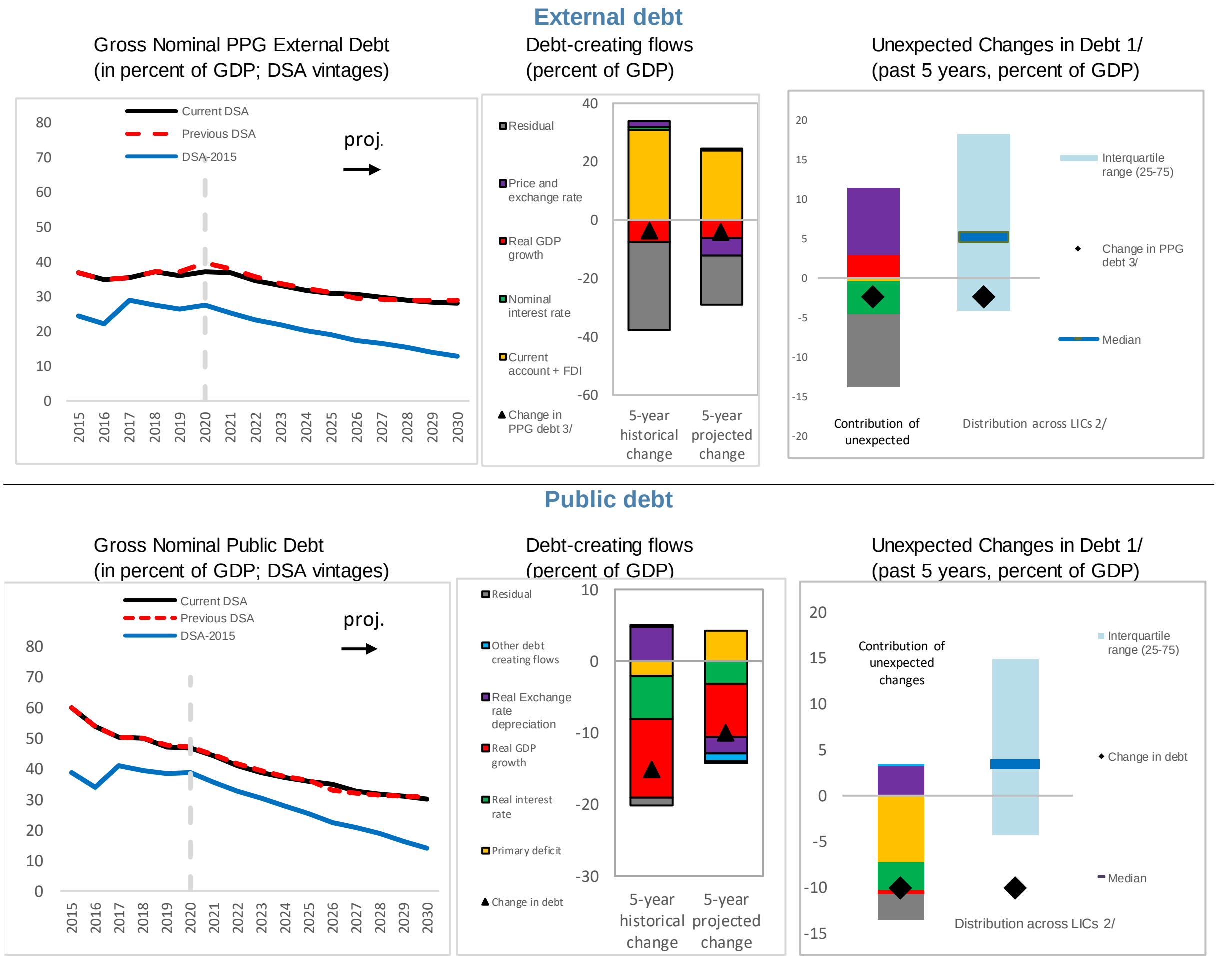
Sources: Country authorities; and staff estimates and projections.

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.

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



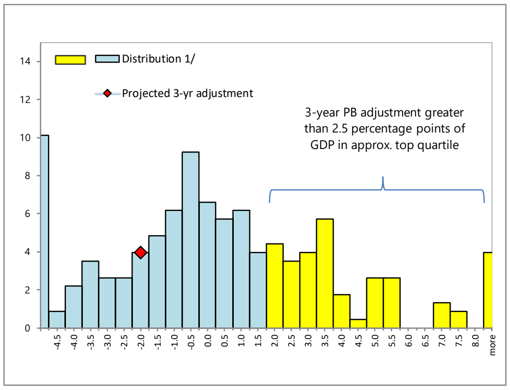
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

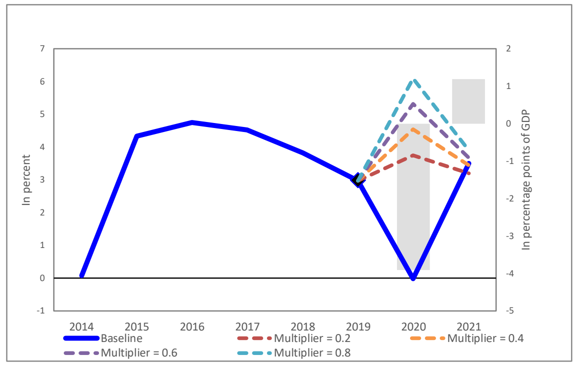
Figure 4. Central African Republic: Realism Tools

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



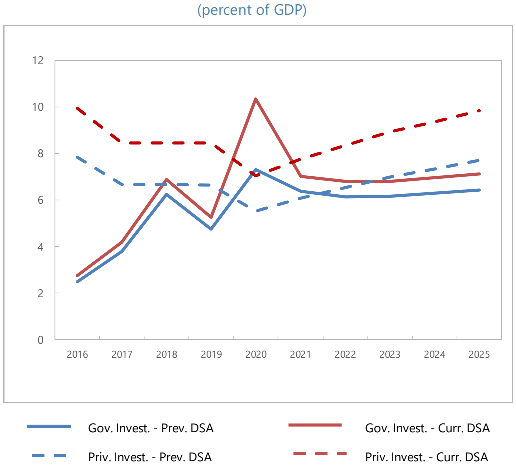
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

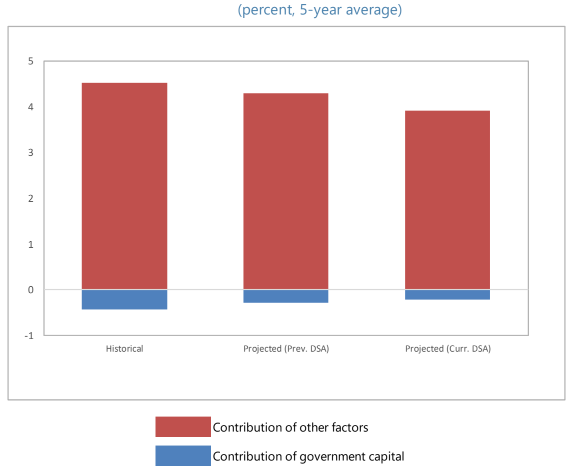


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



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



INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

January 8, 2021

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVERS OF NON-OBSERVANCE OF PERFORMANCE CRITERIA —SUPPLEMENTARY INFORMATION

Prepared By | The African Department

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

2. **The Libyan authorities have informed staff of their objection to the provision of Fund financing to the Central African Republic, but staff assesses that the Fund can nevertheless provide financing to the C.A.R.** Under the Fund's lending-into-official-arrears (LIOA) policy, in the absence of creditor consent, the Fund can only lend into official bilateral arrears under carefully circumscribed circumstances. In the case of the arrears of the Central African Republic to Libya, staff assesses that these circumstances are met. Specifically, since the arrears are related to official sector involvement under a non-representative Paris Club agreement, staff had to assess whether a set of three criteria is met. Staff's detailed assessment is provided as part of this supplement, which will be added to the staff report. Staff continues to support completion of the first and second reviews under the Extended Credit Facility arrangement notwithstanding official bilateral arrears to Libya.

Annex I. Lending into Arrears to Official Bilateral Creditors

Staff assesses that the conditions are met for the Fund to provide financing to C.A.R. in line with the policy on arrears to official bilateral creditors, notwithstanding its outstanding arrears to Libya. In particular:

- **Prompt financial support from the Fund is considered essential and the member is pursuing appropriate policies**. C.A.R. continues to face significant macroeconomic challenges, which have been accentuated by the pandemic, and deep-seated structural rigidities hindering growth. Financial support from the Fund is considered essential to allow for orderly adjustment by covering the protracted balance of payment need, catalyzing external support, and supporting the successful implementation of C.A.R.'s program. C.A.R.'s policies in the context of the ongoing ECF- supported program are aiming at strengthening macroeconomic stability and external viability through fiscal and structural reforms, notably by enhancing domestic revenue mobilization, public financial management and spending efficiency, restoring and building basic infrastructure and utilities, and improving governance and the business environment.

- **The debtor is making *good faith efforts* to reach agreement with the creditor on a contribution consistent with the parameters of the Fund-supported program:**

  - *In terms of process,* the C.A.R. authorities have contacted the Libyan authorities bilaterally through letters (most recently on January 8, 2021) offering to pursue a collaborative process toward resolving the outstanding arrears. Relevant information has been shared with the Libyan authorities on a timely basis. The C.A.R. authorities are committed to continue making their good faith efforts until all the remaining arrears are resolved.

  - *The terms offered* by the C.A.R. authorities to the Libyan authorities are in line with the financing and debt objectives of the Fund-supported program and would not result in financing contributions that exceed the requirements of the Fund-supported program. The terms offered imply a contribution that is not disproportionate relative to those sought from other official bilateral creditors at the time of the HIPC operation. Indeed, the authorities are seeking from Libya exactly comparable HIPC terms of 94 percent debt cancellation.

- **The decision to provide financing despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases.** The contribution sought from Libya did not account for the majority of financing contributions required from official bilateral creditors in the context of the HPIC operation. Libya does not appear to have a strong track record of providing contributions in the context of Fund-supported programs (having undertaken only 5 HIPC restructurings out of its total 18 Completion-Point debtors). Therefore, in staff's view, providing financing to C.A.R. despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize future financing packages, given strong support from the international community in the context of the Fund-supported program for C.A.R. and the C.A.R. authorities' efforts to resolve this in a timely manner.

Statement by the Staff Representative on the Central African Republic
January 12, 2021

1. This staff statement provides information on recent developments. It does not alter the thrust of the staff appraisal.

2. The authorities completed the remaining prior action on the submission to Parliament of the asset declaration law on December 15, 2020. In close consultation with staff, the C.A.R. authorities prepared and submitted to Parliament amendments to the draft law that they had initially submitted to Parliament in early October to bring it in line with the applicable international good practices.

Statement by Mr. Aivo Andrianarivelo, Executive Director for the Central African Republic, and Mr. Madjiyam Herve Bangrim Kibassim, Advisor to the Executive Director

January 12, 2021

The authorities of the Central African Republic (CAR) would like to thank the Executive Board, Management and staff for their continued support to their country. The approval of the current ECF arrangement last year has sent a strong signal in support of their efforts to strengthen macroeconomic stability, improve administrative capacity, enhance governance and the business climate, and reduce poverty. Presidential and parliamentary elections were held on December 27, 2020 as scheduled, and priority continues to be given to restoring peace while fighting the Covid-19 pandemic and its economic and social fallout. The authorities remain firmly committed to the program objectives.

Recent Developments and Outlook

As of January 4, 2021, confirmed Covid-19 cases stood at 4,885 with 63 fatalities. Although the effect of the pandemic is declining in regard of the low number of new positive cases, vigilance and precautionary measures including social distancing continue to be recommended to the population. The recent holding of elections on the due date is an important step for the country towards building stability, peace and institutions despite challenging security conditions. Considering the elevated number of refugees and displaced persons reaching about 60 percent of the population, substantial humanitarian and financial assistance from partners continues to be needed to secure the political and economic gains achieved to date.

The swift containment measures implemented by the authorities have contributed to limit the spread of the virus but were also detrimental to economic activities in addition to low external demand. In this context, while the telecommunications and forestry sectors have shown some resilience, the mining, tourism, trade, hospitality, and transport sectors have been severely impacted. This has resulted in the economic growth projected to decline from 3 percent in 2019 to 0 percent in 2020. Due to disruptions of supply chains, inflation increased in the second half of 2020 but is expected to remain below 3 percent in 2020 at about 2.1 percent. Although expenditures increased due to the Covid-19 pandemic, public debt is anticipated to decline from 47.2 percent of GDP in 2019 to 46.8 percent of GDP in 2020. The current account deficit widened from 4.9 percent of GDP in 2019 to 7.6 percent in 2020 on the back of lower diamonds and wood export prices but is expected to improve in 2021 owing to an export rebound. The resources provided by the Rapid Credit Facility (RCF) last April and the debt relief under the Catastrophe Containment and Relief Trust (CCRT) have been essential to meeting substantial financing needs generated mainly by the Covid-19 pandemic.

In addition to security challenges, the authorities recognize that the health and economic effects of the pandemic are deeper and more persistent than previously envisaged, both globally and at the regional and national levels. This contributes to raising uncertainty in the outlook and tilt risks to the downside. On the other hand, the prospects of advances in the political dialogue—albeit recent difficulties around the elections--the benefits of the fiscal efforts and the reforms being implemented could lead to better economic prospects than currently envisaged.

Program Performance

The implementation of the ECF arrangement during the period under review has been challenging due to coordination difficulties and weaknesses in the administration, liquidity issues, and the impact of the Covid-19 pandemic. As a result, three quantitative performance criteria and four structural benchmarks were missed. Nevertheless, necessary corrective measures have been implemented successfully, including by addressing liquidity concerns. The authorities have also stepped up their efforts to implement the remaining structural reforms. This led to a fiscal performance in line with expectations and helped to maintain the program on track. To avoid further liquidity shortages and allow more flexibility, the authorities are requesting to replace the performance criterion on the repayment of domestic arrears with an indicative target.

Use of Covid-19 Resources

The authorities attach a great importance to transparency and accountability in the use of all resources dedicated to the fight the Covid-19 pandemic, including the emergency financing received from the IMF and World Bank. To that end, a committee composed of sectorial departments, agencies supervising public expenditure, civil society and partners was established by a July 2020 decree to ensure proper monitoring by the government and stakeholders of the execution of Covid-19 spending. This committee also supervises the compliance with dedicated procedures and potentially provides insights that could be inputs for improving transparency and efficiency in the use of these resources. The authorities are committed to the publication on a monthly basis of all relevant information related to public expenditures and contracts, including selection criteria of beneficiaries. They also agreed on the publication of the independent audit that will be conducted by the court of auditors on public expenditures executed in 2020 to tackle the pandemic.

Medium-Term Policy Priorities

To achieve their medium-term program objectives, including preserving debt sustainability and promoting inclusive growth, the authorities' policy priorities are focused on strengthening domestic revenue mobilization and public spending efficiency, reducing public debt, pursuing PFM reforms, enhancing governance and the business climate, and building institutions and capacity.

Fiscal Policy and Reforms

The authorities will give priority to increasing revenue and public expenditure efficiency and streamlining non-priority spending, with a view to safeguarding fiscal and debt sustainability. Their objective in this regard is to gradually reduce the domestic primary deficit to 2½ percent of GDP.

The authorities are aware that achieving a strong domestic revenue mobilization is key to meeting the substantial financial and development needs of the country. To that effect, they intend to widen the tax base by further identifying taxpayers through matching the registers of tax and customs administrations. Tax reforms will be geared toward increasing transparency and revenue collection, including by implementing the customs ASYCUDA World IT System, addressing discrepancies in imports values, assessing exemptions, establishing interconnexions between major customs offices and advancing tax digitalization.

On the expenditure front, the authorities are committed to containing outlays that are not related to the fight against the Covid-19 pandemic and, accordingly, they have cancelled the equivalent of 0.5 percent of GDP in non-priority spending. While the government is facing challenges in financing infrastructure, security, and the implementation of the National Recovery and Peace Building Plan (RCPCA), it will continue to prioritize social spending and poverty reduction. In addition, the adoption of implementing decrees for the supervision of SOEs will allow a better monitoring of fiscal risks and of the financial position of public and para-public entities.

PFM Reforms

To support institution building and enhance efficiency in public finances, PFM reforms will focus on reinforcing budget procedures, eliminating the remaining seven public agencies without economic justification, and extending the recourse to electronic payment of wages in public administration and to militaries. The authorities have undertaken measures to enhance the monitoring of commitments in the existing PFM IT system GESCO and expect a technical assistance from the World Bank to maintain it. With the technical support from the IMF and the World Bank, the authorities will conduct a review of resources allocated to public institutions and ministries, and government’s social spending. The French Development Agency (AFD) is expected to provide support in implementing quarterly audits of domestic arrear payments. Other important reforms, including the consolidation of the treasury single account (TSA) will also be pursued.

Debt Management

The authorities will maintain a prudent borrowing strategy prioritizing grants and concessional loans to meet the country's financing needs. They have implemented important reforms for debt monitoring. These include strengthened coordination between the debt unit and the treasury to prevent external arrears, the new legal framework governing SOEs, and capacity building with notably improvements of the IT system in the debt unit. The authorities have also undertaken to repay all domestic arrears by end-2021 and prevent the accumulation of pension arrears. Moreover, they are pursuing in good faith negotiations on restructuring external debt with official creditors.

Financial Sector

The banking system continues to be well-capitalized and profitable. However, the Covid-19 crisis has led to a deterioration of financial indicators. In this context, non-performing loans (NPLs) increased from 12.6 percent to 13.7 percent between 2019 and 2020, and credit to private sector in June 2020 declined by 4.8 percent compared to June 2019. Similarly, liquidity and capital adequacy ratios decreased, respectively from 165 percent in December 2019 to 132 percent in March 2020, and from 30 percent in December 2019 to 28 percent in May 2020, respectively. To further advance financial inclusion, key reforms in the financial sector will prioritize recourse to mobile and online banking and establish financing mechanisms to enable greater financial access by SMEs.

Structural Reforms

The authorities are cognizant of the importance of strengthening governance and the business climate to achieve inclusive growth and the country's development objectives. To that end, they are determined to implement the recommendations of the IMF governance diagnostic and pursue the development of an action plan to fight corruption and improve governance. In the same vein, they will step up their efforts to establish an anti-corruption law that complies with the United Nations Convention against Corruption, and issue in due course the related decrees for the new asset declaration regime.

Regarding the business climate, a new labor code offering a more favorable work environment to employees and fairness to employers before the courts has been submitted to the National Assembly. A mining code in line with international standards, reflecting contributions from the World Bank and the African Development Bank, will be forthcoming. Procurement contracts exceeding CFA 5 million will be published to enhance transparency. Finally, the establishment of the National Economic and Financial Council will also contribute to improving the business environment by allowing the implementation of an arbitration and mediation center, and an arbitration chamber.

Capacity Building

The Central African Republic remains a fragile state and the COVID-19 pandemic has increased challenges, including in the public administration, impacting notably program performance and revenue collection. In this context, the CAR authorities continue to rely on the technical assistance provided by development partners to strengthen institution building, ameliorate the public expenditure chain and increase transparency and governance. More specifically, they are seeking technical support to improve revenue administration, the quality of economic and financial statistics, fiscal governance and mechanisms to combat corruption; further strengthen public financial management; and ensure adequate capacity for macroeconomic programming and debt management.

Conclusion

Despite a challenging environment, the CAR authorities remain committed to safeguarding macroeconomic stability and maintaining the reform momentum under the program. They continue to put the achievement of higher and more inclusive growth at the center of their development agenda. To sustain their efforts, the authorities seek the Executive Board's favorable completion of the first and second reviews under the ECF arrangement, and the approval of their request for waivers of nonobservance of performance criteria.