



# THE CENTRAL AFRICAN REPUBLIC

## REQUEST FOR THE DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

September 2015

In the context of the Request for Disbursement under the Rapid Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on September 14, 2015, following discussions that ended on June 18, 2015, with the officials of the Central African Republic on economic developments and policies underpinning the IMF arrangement on the Request for Disbursement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on September 2, 2015.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Central African Republic.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of the Central African Republic\*  
Memorandum of Economic and Financial Policies by the authorities of the Central African Republic\*

Technical Memorandum of Understanding\*

\*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services

PO Box 92780 • Washington, D.C. 20090

Telephone: (202) 623-7430 • Fax: (202) 623-7201

E-mail: [publications@imf.org](mailto:publications@imf.org) Web: <http://www.imf.org>

Price: \$18.00 per printed copy

**International Monetary Fund**  
**Washington, D.C.**



Press Release No. 15/417  
FOR IMMEDIATE RELEASE  
September 15, 2015

International Monetary Fund  
Washington, D.C. 20431 USA

### **IMF Executive Board Approves US\$ 11.8 Million Disbursement Under the Rapid Credit Facility for the Central African Republic**

On September 15, 2015, the Executive Board of the International Monetary Fund (IMF) approved SDR 8.355 million (about US\$11.8 million) in financial assistance for the Central African Republic (C.A.R.) under the Rapid Credit Facility (RCF)<sup>1</sup> to assist the authorities to meet urgent balance of payments of needs and to support the authorities' emergency economic recovery program. The Board's decision enables the disbursement of the full amount (15 percent of C.A.R.'s quota at the IMF) and follows a disbursement of SDR 5.57 million (about \$7.9 million) under the RCF in March 2015 (see [Press Release No. 15/129](#)).

The C.A.R authorities continued their efforts to improve security conditions, promote an inclusive domestic political dialogue and move forward with their economic program supported by the Fund and the international community. Reflecting a prudent spending policy, the government covered its key obligations, remained current on wage and debt service payments, and avoided accumulating arrears in salaries and pensions. They also implemented most of their quantitative and policy objectives under their economic program, including strengthening the

---

<sup>1</sup> The RCF (<http://www.imf.org/external/np/exr/facts/rcf.htm>) provides immediate financial assistance with limited conditionality to low-income countries with an urgent balance of payments need. In this context, the economic policies of a member receiving RCF financing are expected to address the underlying balance of payments difficulties and support policy objectives including macroeconomic stability and poverty reduction. Financing under the RCF carries a zero interest rate, has a grace period of 5.5 years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

institutional framework to enhance financial governance, appointing the head of the Treasury and accounting unit, enhancing revenue collection, and rationalizing the wage bill. Looking forward, economic prospects for 2016 are positive, with real GDP growth being projected at 5.7 percent, but risks remain high, including a protracted transition and lower external support.

Given the progress that was made in policy implementation under the authorities' economic program, the new financial assistance will help the C.A.R. authorities to continue with implementation of a set of economic and structural policies aimed at restoring macroeconomic stability, achieving fiscal consolidation, and strengthening the capacity of the C.A.R. government. This new disbursement would also help the authorities address their urgent balance of payments needs and enable an orderly shift to the post-transition phase that should start after the elections.

Following the Executive Board's discussion, Min Zhu, Deputy Managing Director and Acting Chair, said:

“The Central African Republic is gradually recovering from a major political and security crisis in 2013 that led to the collapse of the economy and a humanitarian crisis. In recent months, improved security conditions enabled the restoration of state authority in most regions of the country. The intensified domestic inclusive political dialogue was instrumental in laying out a schedule toward crucial elections that could end the political transition before year-end. On the economic side, the authorities are implementing their emergency reform program with donor support.

“Under challenging circumstances, the authorities have been rebuilding capacity, strengthening treasury and budget management, and reforming the civil service as well as the business environment. Reflecting fiscal prudence, they kept spending in line with available resources, clearing all outstanding wage arrears, and ensuring regular salary and pension payments to civil servants. Looking forward, mobilizing additional revenues, improving public finance management, returning to normal budget procedures, strengthening debt management, and preserving debt sustainability will be important.

“Economic prospects for 2016 look encouraging, but risks remain high, including a protracted political transition and lower external support. Public finances will remain under pressure, and comprehensive plans adopted to enhance revenue collection and further reform the wage bill are expected to facilitate the transition to the post-emergency phase. Continued external financial and technical assistance will remain critical for the economy to lift growth prospects and reduce poverty.

“The Fund will continue to play a key role in coordinating international efforts in support of the government’s economic, financial, and social strategies to step-up growth and promote inclusive social development and peace”.



# CENTRAL AFRICAN REPUBLIC

## REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

September 2, 2015

### EXECUTIVE SUMMARY

**Context:** Central African Republic (C.A.R.) is slowly emerging from the 2013 political and security crisis that led to the collapse of the economy and a humanitarian crisis. In recent months, security has improved with the presence of international forces. The domestic inclusive political dialogue (IPD) culminated with the May 2015 Bangui Forum for Reconciliation and Peace, which was instrumental in laying out a schedule toward elections (planned for October and November) that are expected to end the political transition by December 2015. The authorities are implementing their emergency economic reform program, with support from the donor community. Assuming further normalization of the security situation and peaceful elections in October/November 2015, prospects for 2016 should further improve. Public finances will still remain under strong pressure and continued financial aid and technical support from the international community will be necessary in 2016, including possibly an arrangement under the Extended Credit Facility (ECF) to support the new authorities' reform program.

**Program Issues:** In March 2015, the Executive Board approved financial assistance under the Rapid Credit Facility (RCF) for an amount of SDR 5.57 million (10 percent of quota) in support of the transition authorities' emergency program. Building upon the success of the policies implemented so far and in view of their urgent balance of payments needs, the authorities are requesting a new disbursement under the RCF in the amount of SDR 8.355 million (15 percent of quota). With CFAF 50 billion already committed from other donors, this new disbursement will close the financing gap for 2015 and enable an orderly shift to the post-emergency phase. It will bring cumulative disbursements under the RCF to SDR 22.28 million (40 percent of quota). Donor financial support is accompanied by targeted technical assistance (TA) that is helping the transition authorities rebuild basic state functions, improve capacity, and clean the civil service roster to reduce the government wage bill.

#### Main policy recommendations:

- **Enhance revenue collection:** reforms include those outlined in the recently adopted comprehensive action plans covering tax policy, revenue administration, and limits to tax and customs exemptions.

- **Strengthen treasury management:** closely match available resources with prioritized spending to enable a sound execution of the treasury management plan and avoid payments arrears accumulation.
- **Return to normal budget procedures:** with institutional capacity strengthening, take key measures to return to regular budget procedures, including a strengthened treasury single account and a fully operational financial management information system.
- **Prepare the ground for a medium-term budget and management framework:** this will help the political transition and address the development challenges ahead.
- **Enhance outreach and governance:** efforts in these areas will enable development partners to scale up their interventions in favor of sustained growth and poverty reduction.

## Approved By

**Andrea Richter Hume  
(AFR) and Bob Traa  
(SPR)**

A staff team consisting of Mr. Bessaha (head), Mr. Keller, and Mmes Shi and Glaser (all AFR) visited Bangui during June 9–18. The mission met with the Transition President, Mrs. Samba-Panza, and had discussions with the Prime Minister, Mr. Kamoun, the Ministers of Finance and Budget, of Economy and International Cooperation, of Commerce, of Energy, of Mining, of Telecommunications, of Security, and of Civil Service, the National Director of the BEAC, and senior economic and financial officials. Mr. Tall (OED) participated in the discussions. Mr. Atingi-Ego, AFR Deputy Director, joined the mission during June 16–18, 2015. Representatives of the World Bank, the European Union, the African Development Bank, and France participated in the meetings. The mission coordinated closely with a visiting delegation from the International Finance Corporation.

## CONTENTS

<b>GLOSSARY</b>	<b>5</b>
<b>BACKGROUND, RECENT DEVELOPMENTS AND PERFORMANCE UNDER THE RAPID CREDIT FACILITY</b>	<b>6</b>
A. Political and Security Background	6
B. Recent Developments	8
C. Performance under the Rapid Credit Facility	8
<b>POLICY DISCUSSIONS</b>	<b>10</b>
A. Macroeconomic Objectives for the Rest of 2015	10
B. Fiscal Policy	11
C. Fiscal Structural Reforms	12
D. Other Structural Reforms	13
E. Social Policies	13
<b>RCF DISBURSEMENT REQUEST</b>	<b>13</b>
<b>OTHER ISSUES</b>	<b>14</b>
<b>POST-EMERGENCY CHALLENGES AND MEDIUM-TERM STRATEGY</b>	<b>16</b>
<b>STAFF APPRAISAL</b>	<b>16</b>
<b>BOXES</b>	
1. Inclusive Political Dialogue and Elections	7
2. Diamond Sector: Issues and Recommendations	9
3. Transport and Distribution Network Challenges	10

**FIGURE**

1. Macroeconomic Performance and Prospects, 2007–16 _____	19
---	----

**TABLES**

1. Selected Economic and Financial Indicators, 2010–16 _____	20
2. Central Government Financial Operations, 2010–16 _____	21
3. Central Government Financial Operations, 2010–16 _____	22
4. Monetary Survey, 2010–16 _____	23
5. Balance of Payments, 2010–16 _____	24
6. Treasury Cash Management Plan, 2015 _____	25
7. External Support of Technical and Financial Partners, 2015 _____	26
8. Indicators of Capacity to Repay the IMF, 2014–24 _____	27

**APPENDIX**

I. Letter of Intent _____	28
Attachment I. Memorandum of Economic and Financial Policies for 2014-17 _____	30
Attachment II. Technical Memorandum of Understanding _____	41



## Glossary

<b>ACCT</b>	Agence Comptable Centrale du Trésor (Central Treasury Agency)
<b>BEAC</b>	Banque des Etats de l'Afrique Centrale (Bank of Central African States)
<b>C.A.R.</b>	Central African Republic
<b>CEMAC</b>	Communauté Economique et Monétaire de l'Afrique Centrale (Economic and Monetary Community of Central Africa)
<b>CFAF</b>	CFA franc
<b>CNT</b>	Conseil national de transition (National Transition Council)
<b>DDR</b>	Disarmament, Demobilization and Reintegration
<b>DSA</b>	Debt Sustainability Analysis
<b>ECCAS</b>	Economic Community of Central African States
<b>ECF</b>	Extended Credit Facility
<b>GESCO</b>	Government Financial Management Information System
<b>IPD</b>	Inclusive Political Dialogue
<b>IDPs</b>	Internally Displaced Persons
<b>KPCS</b>	Kimberley Process Certification Scheme
<b>LOI</b>	Letter of Intent
<b>MEFP</b>	Memorandum of Economic and Financial Policies
<b>MINUSCA</b>	Mission intégrée des Nations Unies pour la Stabilisation de la République Centrafricaine (United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic)
<b>RCF</b>	Rapid Credit Facility
<b>TA</b>	Technical Assistance
<b>TMU</b>	Technical Memorandum of Understanding
<b>TSA</b>	Treasury Single Account
<b>UNDP</b>	United Nations Development Program
<b>VAT</b>	Value-Added Tax

# BACKGROUND, RECENT DEVELOPMENTS AND PERFORMANCE UNDER THE RAPID CREDIT FACILITY

## A. Political and Security Background

**1. C.A.R. is emerging slowly from the 2013 crisis.** Located in the heart of Africa, C.A.R. is a fragile, land-locked, low-income country, dependent on international assistance for economic, social, and security purposes. Its economic base is not diversified and human capital is weak. In addition, in 2013, C.A.R. suffered extensive damage as a result of an insurgency and counter-insurgency that led to civil war and a humanitarian crisis. Already subject to periodic instability and upheaval since independence in 1960, this was, however, the first time that a sectarian dimension came into play. Much of the economic production capacity and social infrastructure were looted, rural populations fled to internal camps or neighboring countries, and economic activities came to a halt. The national army disbanded and the country has to rely on foreign forces to reestablish internal security. Almost two years into transition, and with support from the international community, C.A.R. is slowly emerging from this conflict.

**2. Security conditions and state authority are being restored.** Most of the country's regions are now under central government control as a result of the deployment of troops from the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA). In this context, French military presence was reduced by half to about 900 soldiers by end-June 2015 and focuses now on Bangui, where crime is a high risk as rebel groups control three districts out of eight. The North-Eastern regions (bordering Sudan and Chad), where armed groups continue to operate, remain insecure. The humanitarian situation is improving and refugees and internally displaced persons (IDPs) are returning to their homes. Investment to refurbish administrative infrastructure in the provinces should facilitate the return of civil servants and government agents to their posts. The inclusive political dialogue (IPD) continues and national elections are scheduled in October and November for C.A.R. to return to democratic institutions by late 2015 (Box 1).

### Box 1. Central African Republic: Inclusive Political Dialogue and Elections

**Political dialogue and inclusiveness.** With slow progress during 2014 on the security and political fronts, the transition government was partially reshuffled in January 2015 with a mandate to improve security, boost the political dialogue, and strengthen management of the emergency program. Against the background of renewed efforts for an IPD, the authorities conducted a wide consultation of the local population in preparation for the Bangui Forum on Peace and Reconciliation, which took place during May 4-11, 2015, under the auspices of President Sassou-Nguesso of the Republic of Congo, the mediator for the C.A.R. crisis. The Bangui Forum brought together government officials, armed groups, national political parties, traditional chiefs, private sector and civil society leaders, international partners, and religious leaders to agree on an inclusive domestic political project.

**Discussions and decisions.** Discussions centered on the different elements of the country's peace-building agenda, and participants proposed that parliamentary and presidential elections be delayed to late 2015 for security reasons and called upon a Summit of CEMAC Heads of States to extend the transition. CEMAC Heads of States prolonged the transitional authorities' mandate through end-2015. Key nation-building agreements signed during the Forum include: (i) a peace accord between the government and armed groups; (ii) an agreement with armed groups to halt the recruitment of child soldiers and release all child soldiers in their ranks and children associated with the conflict; and (iii) the creation of a Truth, Justice and Reconciliation Commission, as well as local peace committees and a commission to investigate trans-border crimes.

**Elections and security reforms.** On June 17, 2015, the transition authorities adopted a schedule for the parliamentary and presidential elections, including the organization of a referendum to amend the constitution (early October) and two rounds for the presidential and legislative elections (October 18 and November 22);<sup>2</sup> Pope Francis will visit Bangui in late November. The formation of a new government will mark the end of the transition period. The authorities are working hard to mobilize resources for the election budget from donors and have borrowed electoral material from some African countries in an effort to lower the elections costs.<sup>3</sup> They are also taking steps to launch the disarmament, demobilization and reintegration (DDR) program to improve security conditions ahead of the elections.<sup>4</sup> With the help of the United Nations, they are mobilizing donor support to cover the US\$30 million cost for the DDR, including the demobilization of 10,000 former combatants.<sup>5</sup> Looking forward, they are working on a comprehensive security reform that will reduce the size of the national army by 1,000 troops (down from 8,100 troops) and modernize it by end-2018.

**3. Improved security has allowed a partial lifting of the ban on diamond exports.** State authority and security have been sufficiently reestablished in the Western diamond-producing regions, which allowed re-certification by the Kimberley Process Certification Scheme (KPCS). This development permitted a partial lifting of the export ban for diamonds produced in these areas at end-June, and it will also allow the export of stocks (60,000 carats with an estimated value of US\$7 million) accumulated since early 2014. However, diamonds produced in the Central-Eastern

<sup>2</sup> The amendment of the constitution is necessary to allow a faster electoral schedule, including a shorter appeal process.

<sup>3</sup> The cost of the elections is projected at US\$ 36 million. The authorities have included US\$3.4 million in the national budget. By end-August, donors have provided US\$25 million, with the largest contributor being the European Union. They are continuing their efforts to mobilize the residual amount (US\$7.6 million).

<sup>4</sup> As part of the initial phase of the DDR, the MINUSCA moved some combatants located in and around Camp Beal (first district of Bangui) to other camps and transported large quantities of ammunition and explosives stored in that camp to safer locations outside the city.

<sup>5</sup> The authorities are expecting external funding for the demobilization program. There are no commitments at this stage from development partners.

region, which accounts for about half of the national diamond output, remain under an export ban, pending further progress in security and state control in that region (see Box 2).

## B. Recent Economic Developments

**4. Preliminary data suggest that economic outcomes for the first half of 2015 were broadly in line with the quantitative objectives of the authorities' program.** Economic activity is picking up, notably in agriculture and trade, as better security conditions allow the return of farmers to their land and the regular circulation of convoys on the Douala-Bangui international trade corridor. Average inflation declined to 6.0 percent at end-June 2015, as a result of improved food supplies and distribution networks. Domestic revenue was on target at CFAF 30 billion. Primary spending was contained at CFAF 37.5 billion against an objective of CFAF 48.8 billion, reflecting lower-than-planned outlays on goods and services and transfers (Table 6). At CFAF 1.2 billion, domestically-financed spending was in line with projections. Cash budget support disbursements through end-August amounted to CFAF 24 billion, in addition to CFAF 9.1 billion in debt consolidation (Table 7).

**5. Efforts to catch up on fiscal management have had some success.** Available domestic and external resources, combined with tight control on current spending, have enabled the transition authorities to cover their key obligations, remain current on wage and debt service payments, and clear domestic payments arrears, including two quarters of pensions.<sup>6</sup> As of end-June, total domestic payment arrears are CFAF 159.3 billion (16.7 percent of GDP), of which CFAF 121.3 billion remain to be audited. Donors continued to provide technical assistance to improve tax and customs procedures, enhance treasury management, improve public financial management, and strengthen debt management and budget preparation.

## C. Performance Under the Rapid Credit Facility

**6. Performance under the RCF was broadly satisfactory.** The authorities met all their end-March 2015 and end-June 2015 quantitative and policy objectives despite difficult conditions. In the structural area, the pending policy action from the authorities' program at the time of the first RCF disbursement, notably the appointment of the director of the Central Accounting and Treasury Agency (ACCT), was finalized during the last week of June 2015.<sup>7</sup> The three end-June 2015 policy actions (adoption of an action plan to strengthen revenue mobilization, adoption and execution of a plan limiting tax and customs exemptions, and undertaking of the second phase of the cleaning of the civil service roster) were all completed by mid-July 2015.

<sup>6</sup> The authorities' strategy is to focus on the settlement of wage and pension arrears as well as some commercial arrears to support economic recovery.

<sup>7</sup> The first candidate selected to head the ACCT opted out for security reasons. The second candidate started work in early July. The deputy director was appointed in 2014.

## Box 2. Central African Republic: Diamond Sector: Issues and Recommendations

**Historic context.** C.A.R. is well endowed with alluvial diamonds,<sup>8</sup> with most deposits located in Western and Central-Eastern regions. French companies started mining in 1927. By 1931, production was well advanced and undertaken on an industrial basis. In 1961, policy-makers transformed it to artisanal mining to benefit local communities. Today, it is estimated that about 800,000 people live off diamond mining activities. C.A.R. is a founding participant of the Kimberley Process Certification Scheme (KPCS), which was established in 2003 to ensure that diamond purchases do not finance violent rebel movements and their allies.

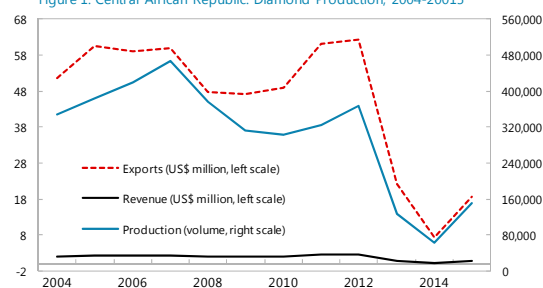
**Organization of diamond mining.** The diamond industry operates on an artisanal basis. It involves a chain comprising: (i) miners who work in groups and use rudimentary equipment to dig up and wash alluvial mud; (ii) mining contractors who own the concessions and employ the miners for salaries of CFAF 1000-5000 a day; (iii) collecting agents who operate as intermediaries between the contractors and buyers (*bureaux d'achat*); (iv) contractor cooperatives which are allowed to directly export diamonds if their value is more than CFAF 20 million; and (v) formal buyers/exporters.

**Diamond exports.** The *bureaux d'achat* are in charge of trading and selling diamonds to major international diamond centers, mostly located in Belgium, the United Arab Emirates, and Israel. Their operations are externally financed and often foreign-owned. The public BECDOR (*Bureau d'évaluation et de contrôle du diamant et de l'or*) is in charge of regulating domestic operations. Its experts evaluate taxes owed and collect them on behalf of the government. The KPCS Permanent Secretariat in C.A.R. is in charge of certifying the origins of the diamonds, overseeing trade transactions, and managing data flows. Only raw diamonds are exported.

**Performance and issues.** Reflecting rising external demand, the diamond industry performed well through 2008. The 2008 financial crisis severely hit diamond exports and prices. The government introduced corrective measures to boost output, including a revised Mining Code and lower taxation. In 2009, as part of their efforts to implement the new code and reorganize diamond activities, the authorities clamped down on the *bureaux d'achat* which led to the seizure of assets and closure of 8 out of 11 bureaus. While this resulted in weakening the diamond trade, the government introduced other measures to boost exports, including: (i) halving the value limit of diamond exports by cooperatives to CFAF 20 million to reduce stocks; and (ii) lowering export taxes to 4 percent and the turnover tax rate to 3 percent. These measures helped restart and increase production and exports in the following years. However, the 2013 crisis plunged the sector into chaos again. The collapse of security led to a virtual stop of (formal) diamond production and trade. Armed groups continued to harvest diamonds.

**KPCS and the way forward.** The collapse in security led the KPCS Permanent Secretariat to temporarily suspend C.A.R. from international raw diamond trade until the security situation improves. In June 2015, KPCS decided to partially lift the embargo on exports for the diamond-producing regions where security has improved. KPCS will field another mission later this year to review progress made by the authorities in reestablishing security in the other diamond producing regions before deciding to remove the remaining sanctions. Looking forward, the government is designing a new mining policy to enable the diamond sector to fully benefit the economy. Measures include: combating the widespread fraud and the clandestine extraction of diamonds through enhanced controls, strengthening the regulatory framework, reorganizing the diamond sector with the introduction of a mining chamber, eliminating the administrative pricing mechanism, and shifting to a market-determined price structure.

Figure 1. Central African Republic: Diamond Production, 2004-2015



Source: Source: C.A.R. authorities and the Kimberley Process Certification Scheme.

<sup>8</sup> Alluvial diamonds are diamonds that have been removed from the primary source (Kimberlite) by natural erosive action over millions of years, and eventually deposited on river beds, on ocean floors or a shoreline. The process of alluvial diamond mining involves digging and sifting through mud sand and gravel.

## POLICY DISCUSSIONS

### A. Macroeconomic Objectives for the Rest of 2015

**7. The macroeconomic outlook for the rest of 2015 remains broadly favorable assuming continued improvements in security and political stability.** Real GDP for 2015 was revised slightly down to 5.5 percent, from 5.7 percent, as a result of slower-than-planned resumption in forestry and mining activities. Economic growth is projected to be driven by agriculture, transportation and trade activities due to improved security conditions, including along the main road corridor (see Box 3). At the same time, BEAC is undertaking significant technical efforts with a view to enable local banks to boost private lending and investment. In contrast, inflation prospects remain unchanged at 5.7 percent, reflecting: (i) higher food supply stemming from a rebound in agricultural activities made possible by the progressive return of refugees and IDPs to their lands; and (ii) improved distribution networks as international forces deploy in most of regions as well as steady flows of imported foodstuffs. Reflecting lower investment spending for the rest of the year, the domestic primary deficit is projected to narrow to 3.7 percent of GDP, from 5 percent of GDP in 2014 (4.1 percent in the March 2015 Staff Report). The external current account deficit is expected to widen to 11.8 percent of GDP, from 6.1 percent of GDP in 2014 and 11.5 percent of GDP in the March 2015 Staff Report.

#### Box 3. Central African Republic: Transport and Distribution Network Challenges

**Deficient infrastructure presents enormous difficulties to economic development of C.A.R.** Bangui is the focus of C.A.R.'s political and economic life. It also exemplifies the isolation of the country, being accessible only by one land corridor, a river, and an airport. The road, detouring northwest to the Cameroonian border (600 km) and on to Douala port (a further 825 km), is difficult to travel during the rainy season; the river is navigable only during half the year; and there is only one direct flight per week to Europe. Much of the vast countryside is barely accessible over non-maintained rural roads and tracks. The forestry areas are out of government reach and are serviced through Cameroon for supplies, financing, and exports. Diamond collectors use small private planes for transport.

**Security is a concern and a challenge for all transports.** Road transport is the main means of conveyance of passengers and goods. Due to high threats of armed robbery on the main road corridor, transports are undertaken in convoys secured by armed MINUSCA patrols. Their number, however, has recently been reduced from three to two per week, due to a lack of guards. With security slowly improving, transporters thus consider travelling unaccompanied, instead of long waits for a convoy to be formed, at a risk of losing truck and cargo. River transport could be an option for petroleum product imports. While it is cheaper than road transport, import of oil products through the river requires a very long supply chain of 6-9 months of advance planning and purchase and a transit through four points of transshipment. Last but not least, the navigation season is limited to half the year. For wood products and diamonds, export channels have been disturbed and pushed into informality, and circumvent points of government control. Regarding official exports, they are shipped through the port of Douala, which is heavily congested, causing damages to the goods and delaying shipments. Alternative outlets like the deep water port of Pointe Noire (Republic of Congo) are being explored.

**Food production and distribution networks were disrupted.** Agricultural production, though recovering, is largely for local self-consumption, because of difficult and expensive transport owing to high petroleum prices (among the highest in Francophone Africa), shortage of domestic trucks (as most were looted), a dismal road system, and deficient security. As a result, Bangui has to continue to rely on food imports. Food import and distribution and nomad meat production have been traditionally in the hands of the Muslim minority, which forms the majority of refugees and IDPs. As they return to their homes, retail trade is slowly picking up again, but unless highly exposed nomad populations are again feeling secure, the availability of animal products, which are important for a more balanced diet, will remain insufficient.

**8. There are important risks that could disrupt macroeconomic performance in the coming months.** Security remains the main downside risk. While significant progress was made recently, the situation remains fragile, and government authority still needs to be established in two important regions. The upcoming elections could heighten political tensions and exacerbate political and intercommunity violence. If results were in dispute, this could delay the formation of a new government and trigger violence. In the event that the elections are again delayed and the transition is extended beyond 2015, questions of political legitimacy would arise. In addition, this could postpone discussions on the much-needed longer-term engagement to support reform programs. This could create financing difficulties for public service salaries, which risks triggering social unrest in the country. Another risk, over time, is the persistent inflation level above the regional convergence criteria which could lead to significant real exchange rate appreciation and weaken external sustainability. On the upside, the continued political dialogue and a weariness of conflict, the growing involvement of the donor community, and the full deployment of MINUSCA bode well for ending the transition period on schedule and establishing a new government that would enjoy full legitimacy to continue the reform process and address the challenges facing the country.

## B. Fiscal Policy

**9. Public finances remain under pressure.** Performance during the first half of the year was in line with the objectives set by the transition authorities, as a result of their efforts to improve domestic revenue collection and keep spending under control. Notwithstanding such efforts, the fiscal situation remains unsustainable as revenue is expected to cover only half of domestic primary spending, and debt service is rising, starting this year, notably to the Fund, amid a high risk of debt distress. In this context, C.A.R. will continue to require significant external financial and technical support. To lessen dependency on foreign aid, the authorities are determined to accelerate the pace of structural reforms to improve revenue collection, enhance financial governance, and pave the way for a return to fiscal sustainability in the medium term.

**10. The fiscal performance is on track, but projections for capital spending were revised downward.** With revenue performance through end-June 2015 in line with projections as a result of intense collection efforts from the authorities, notably in the oil sector, the annual tax revenue objective was kept unchanged at CFAF 59.2 billion (6.2 percent of GDP), contingent on the continued implementation of the measures incorporated in the budget, specifically in the area of income, property and trade taxes, and more rigorous management of tax and customs exemptions (MEFP, ¶16). The projection for nontax revenue remains at CFAF 5.1 billion (0.5 percent of GDP). On the expenditure side, domestic primary expenditure will be limited to CFAF 99.2 billion (10.4 percent of GDP), including an unchanged wage bill at CFAF 50 billion (5.2 percent of GDP) as a result of continued cleaning of the civil service and military rosters. However, with a lack of project readiness and limited administrative capacity, the authorities have significantly scaled down their investment spending projections for the year, from CFAF 101.5 billion to CFAF 51.2 billion (5.4 percent of GDP). This will come from cuts in both domestically-financed capital spending to CFAF 3.7 billion (0.4 percent of GDP) and externally-financed outlays to CFAF 47.5 billion (5.0 percent of GDP). Accordingly, the domestic primary deficit is now projected at 3.7 percent of GDP in 2015, against

4.1 percent of GDP (March 2015 staff report). With the unchanged clearance of CFAF 8 billion in domestic payment arrears on wages, pensions, and commercial claims and taking into account debt service payments, the financing gap was brought down from CFAF 60.1 billion to CFAF 56.2 billion. With CFAF 50 billion already committed, the residual financing gap was narrowed to CFAF 6.2 billion (0.6 percent of GDP).

## C. Fiscal Structural Reforms

**11. The authorities' structural reforms in the fiscal area continue to address short-term constraints while taking steps for an orderly shift to the post-transition era and toward medium-term sustainability.** In the short term, the government's priorities are to: (i) continue convening regularly the treasury committee under the chairmanship of the Prime Minister with full participation of all donors to enable a realistic execution and control of the monthly treasury plan;<sup>9</sup> (ii) ensure that the Treasury (ACCT) is focusing, with technical assistance from donors, on improving treasury management, centralizing all accounting operations, and preparing public reports on budget execution in a timely fashion, with a view to enhance budget transparency;<sup>10</sup> (iii) implement the recently adopted plan to mobilize more domestic revenue through actions covering tax policy and revenue administration (*prior action for Board consideration of a new disbursement request under the RCF*); (iv) put in place the action plan limiting tax and customs exemptions (*prior action for Board consideration of a new disbursement request under the RCF*); and (v) further rationalize expenditure by following up on the completed second phase of the wage bill reform project (*prior action for Board consideration of a new disbursement request under the RCF*) with a program aimed at securing the recently cleaned civil servants register, implementing management and training tools for human resources managers using computer applications adapted to the C.A.R. context, and issuing biometric professional cards as is the case with military personnel.

**12. Looking forward, the authorities are preparing as a member of CEMAC a number of actions to advance fiscal management, in line with their commitments.** In anticipation of the post-emergency/post-transition period, their reform agenda calls for the adoption: (i) by end-September 2015, of an action plan to return to normal budget spending procedures (*engagement/ordonnancement/liquidation/paiement*), including the strengthening of the Treasury Single Account (to include all revenue collected by some sectoral ministries, commercial banks, public agencies, and the petroleum product distribution sector), a functioning ACCT, and activated budget and accounting modules of the government financial management information system GESCO; and (ii) by end-December 2015, of a plan to enhance the revenue intake from the forestry, mining, and telecommunications sectors (MEFP ¶17). For the petroleum sector, the authorities are planning to shift from a price structure for domestic petroleum products currently based on

<sup>9</sup> The committee will continue its recent practice of publishing a press release on the outcome of the treasury plan meetings.

<sup>10</sup> The Treasurer is an official adviser to the Director General of Treasury and Public Accounting.



contractual prices provided by the oil importers to a new structure anchored on Platts international prices.<sup>11</sup>

## D. Other Structural Reforms

**13. Ongoing efforts to reform the legal environment aim at attracting private investment and improving growth prospects.** Poverty reduction and inclusive growth require reforms aimed at re-establishing the rule of law and creating a level playing field for the private sector. The authorities are revising the legal framework for: (i) the telecommunications sector to take account of recent technological developments; and (ii) the mining and forestry sectors to introduce more competition and transparency and encourage downstream activities. The investment code is also under revision regarding tax incentives, fees to create a new enterprise, minimum investment requirements, and other issues (MEFP ¶18).

## E. Social Policies

**14. The transitional government's social policy seeks to strengthen public resilience.** It focuses on strengthening civil defense, restoring and reorganizing government authority throughout the country, and resuming activities in essential social sectors. The key elements of the social framework are to:

- Assist the returning refugees and IDPs in their efforts to resume socioeconomic activities effectively;
- Restore social cohesion and reduce intercommunity tensions to facilitate local economic recovery and create temporary jobs, primarily for young people, and provide basic vocational training for demobilized troops;
- Rehabilitate the education sector to ensure overall education coverage and complete high-quality education, including additional levels of education for all children of both genders, regardless of where they live;
- Facilitate access to drinking water, sanitation, and hygiene;
- Rebuild the health system; and
- Strengthen the fight against HIV/AIDS.

## RCF DISBURSEMENT REQUEST

**15. The transition authorities are requesting an RCF disbursement to support macroeconomic stability and finance urgent balance of payments needs.** Short-term economic and social stability—and the success of political transition—critically hinge on covering the remaining financing gap; and the successful implementation of the authorities' 2015 emergency

<sup>11</sup> Platts is a major source of benchmark price assessments for key commodity markets (energy, metals, agriculture and petrochemicals). The use of Platts benchmarks will mark a return to a more transparent price structure.

program will lay the groundwork for longer-term economic consolidation, development, and poverty reduction. The 2015 financing gap is now projected at CFAF 56.2 billion. Development partners have committed CFAF 50 billion, thus leaving a residual financing gap of CFAF 6.2 billion (Table 7). Given continued progress made in policy implementation under previous RCF disbursements in 2014 and 2015 and in view of urgent balance of payments needs, the transition authorities request a new disbursement under the RCF of SDR 8.355 million, or 15 percent of quota (equivalent to CFAF 6.2 billion). This additional assistance, following a first RCF disbursement of 15 percent of quota in May 2014, and a second one of 10 percent of quota in March 2015, would bring total Fund support to SDR 22.28 million (40 percent of quota), which is within cumulative RCF access limits. This new disbursement would help the authorities address their urgent balance of payments needs, and enable an orderly shift to the post-transition phase that should start after the elections.<sup>12</sup>

## OTHER ISSUES

**16. Monitoring implementation.** The authorities will continue to monitor implementation of their economic program on the basis of their current (and updated) quantitative indicative targets for end-June, end-September, and end-December 2015 (MEFP Table 1 and TMU). New policy commitments by the authorities include meeting the prior actions for Board presentation of their request and the adoption of the action plans mentioned above in paragraph 11 (MEFP Table 2 and ¶16).

**17. High risk of debt distress.** The assessment from the current DSA exercise remains unchanged from the last DSA dated May 2014. Although the PV of public debt-to-GDP ratio stays below the benchmark, almost all the external debt indicators are deteriorating. In particular, the PV of external debt-to-exports ratio remains, for a significant period, above the policy threshold under the extreme scenarios, and deteriorates in the historical scenario. The authorities concur with the outcome of the recent DSA update and agree on the need to steadfastly pursue fiscal reforms and make strides in strengthening macroeconomic stability through sound policies, domestic revenue mobilization, and restrained expenditure, while strengthening their debt management capacities. They also share staff views that C.A.R. should rely on grant financing, and seek maximum concessionality in its external financing, considering its fragile post-conflict situation.

**18. Capacity to repay the IMF.** It remains adequate, despite amortization payments on past IMF disbursements kicking in this year. They are projected at CFAF 6.25 billion (SDR 8.33 million), CFAF 10.44 billion (SDR 13.92 million), and CFAF 9.12 billion (SDR 12.16 million) in 2015, 2016 and 2017, respectively. Nevertheless, C.A.R. capacity to repay the Fund remains adequate. The debt consolidation agreements reached with three major creditors, which helped reduce C.A.R.'s overall

<sup>12</sup> Under the current elections schedule, and assuming their outcome is not in dispute, a new government is not expected to be formed before early 2016. In this context, further assistance under longer term engagement would not be possible before the beginning of the second quarter of 2016. In the meantime, barring the establishment of a financial buffer, the new authorities will be facing difficulties to remain current on wage and pensions obligations, and hence possible social unrest.

debt service payments for 2015, together with support from development partners, and the tight treasury cash management in place should contribute to meeting priority financing needs and timely debt service payments (Table 8). Furthermore, the authorities are making regular deposits at the BEAC to ensure that they have enough resources to meet their obligations to the Fund in a timely manner.

**19. Debt management.** The authorities will intensify their efforts to substantially improve public debt management, with assistance from the Regional Technical Assistance Center for Central Africa (AFRITAC-Center), and push for funding and putting in place Version 6.0 of the Debt Management and Financial Analysis System (DMFAS) software. Also, more stringent procedures are being put in place to ensure that new financial commitments are undertaken only with the approval and signature of the minister of finance.

**20. Safeguards assessments.** Staff has been conducting annual monitoring of safeguards developments at the BEAC since 2010.<sup>13</sup> Consistent with this close engagement, the safeguards monitoring visit to the BEAC conducted in April 2015 concluded that while the BEAC continues the implementation of its Reform and Modernization Plan (RMP), slippages have occurred and the time frame of the RMP has been revised. Progress on implementing the safeguards rolling measures has been mixed, and priority recommendations on amendments to the BEAC charter and adoption of an internationally-recognized financial reporting framework (IFRS) are delayed. The BEAC has requested IMF technical assistance to advance the implementation of the above recommendations, and steps for the delivery of these actions have been initiated. Strong actions and close coordination with member states to gain consensus will be needed in the period ahead for the BEAC to conclude its reforms and the outstanding safeguards recommendations. Progress on implementation of the latter will remain subject to monitoring by the IMF, as a condition to continuing new program requests and reviews for CEMAC member countries.

**21. Technical assistance.** C.A.R. has benefitted from significant TA since the inception of its emergency program in 2014. As the authorities focused on rebuilding basic state functions, donors provided targeted TA covering treasury management, wage bill rationalization through a cleaning of the civil service roster, and capacity building. This TA was instrumental in helping implement all the policy measures included in the emergency program and build a track record. To further improve capacity and pave the way for a successful shift to normal policies, they have requested Fund TA on tax policy (including mining and forestry taxation), public financial management, and macro fiscal capacity. AFRITAC-Center is taking the lead to meet these requests, except for artisanal mining taxation for which the World Bank has the expertise. Furthermore, in preparation for discussions on longer term engagement with the Fund, diagnostic TA missions from AFRITAC-Center are expected to be fielded in the last quarter of 2015 to provide recommendations in the areas of tax policy, revenue administration, and public financial management.

---

<sup>13</sup> This close engagement followed past governance challenges and control failures that emerged at the BEAC in 2009.

## POST-EMERGENCY CHALLENGES AND MEDIUM-TERM STRATEGY

**22. The authorities are developing a medium-term strategy to address the post-emergency challenges.** They are taking steps to prepare a framework for the road ahead into 2016 and beyond. Thus, in the short term, they envisage to prepare, and have approved by the transition parliament (*Conseil national de transition*—CNT), a budget for 2016 which will further reduce the domestic primary deficit. For the post-emergency period, sectoral strategies, anchored on three pillars (security; countrywide deployment of the administration; and economic recovery) are being prepared, notably for agriculture, energy, commerce, forestry, mining, and telecommunications. Assuming that these various strategies are endorsed by the newly elected government, they would then be consolidated into general policies and accompanied by: (i) structural reforms to improve the business environment and boost private sector investment; and (ii) development plans to rehabilitate the infrastructure network. The dissemination of the strategy document outside the country and improved security conditions would be instrumental to raise C.A.R.'s visibility and international perception and maintain continuous support from the international community. This overall strategy would also be framed in the context of a medium-term fiscal program upon which the new government could build a road map for the next three years, including with possible longer-term support from a Fund arrangement.

## STAFF APPRAISAL

**23. Central African Republic is emerging slowly from a dramatic security and political crisis that started in 2013, but daunting challenges remain.** Security conditions are improving and the IPD continues. Most of the country is now under government control after the full deployment of international forces. The authorities are implementing economic reforms and have put together an election schedule with a view to end the political transition by mid-December 2015. A peaceful implementation of the election schedule is crucial to help the country return to democratic institutions and form a new government that will address, with support from the international community, critical challenges, including consolidating security and peace, maintaining macroeconomic stability, sustaining the economic recovery, and reducing poverty.

**24. The transition authorities have rightly focused on rebuilding basic state functions and improving macroeconomic management.** In highly challenging circumstances, they have implemented most of their quantitative and policy objectives since May 2014. In addition to strengthening the institutional framework in place to enhance financial governance, they appointed the head of the Treasury (ACCT), and adopted plans to boost revenue and rationalize the wage bill. Staff welcomes the establishment so far of a policy track record and urges the authorities to continue their efforts to further strengthen their capacity to formulate and implement policies. This will help create the conditions for a longer-term engagement with the Fund as well as much-needed support from other development partners after the transition ends.

**25. Steadfast implementation of fiscal reforms is required to enhance revenue collection and strengthen public financial management.** Despite remarkable progress in stabilizing a

difficult fiscal situation, relying excessively on foreign financial and security contributions is unsustainable. On the revenue side, the authorities have rightly focused on improving revenue collection. In this context, staff calls for further efforts, including the decisive implementation of the tax policy and revenue administration measures outlined in the recently adopted action plans. In the same vein, staff strongly supports the transition authorities' stepped-up efforts to increase the revenue intake from the forestry, mining, and telecommunications sectors. On the spending side, the authorities remain cautious and noting implementation constraints, they rightly scaled back capital expenditure to align it better with implementation capacity. They successfully completed the first phases of the wage bill reform. Looking forward, the pursuit of this reform, the tight control on current primary spending, and the adoption of key measures to return to normal budget spending procedures ahead of the 2016 budget are important signals for building confidence in the state and ensuring the efficient allocation of available public resources.

**26. Reforming the business environment is essential to boost C.A.R.'s prospects for stronger medium-term growth and poverty reduction.** Business environment reforms, with continued support from partners through targeted technical assistance, need to be implemented. Staff welcomes efforts to reform the mining code and the regulations governing the forestry sector. Equally important are the current reforms in the legal framework of the telecommunication sector as well as the overhaul of the investment code. Staff encourages the authorities to persevere so as to create a level playing field for the private sector and build an economic production potential in support of inclusive growth and poverty reduction, starting in 2016.

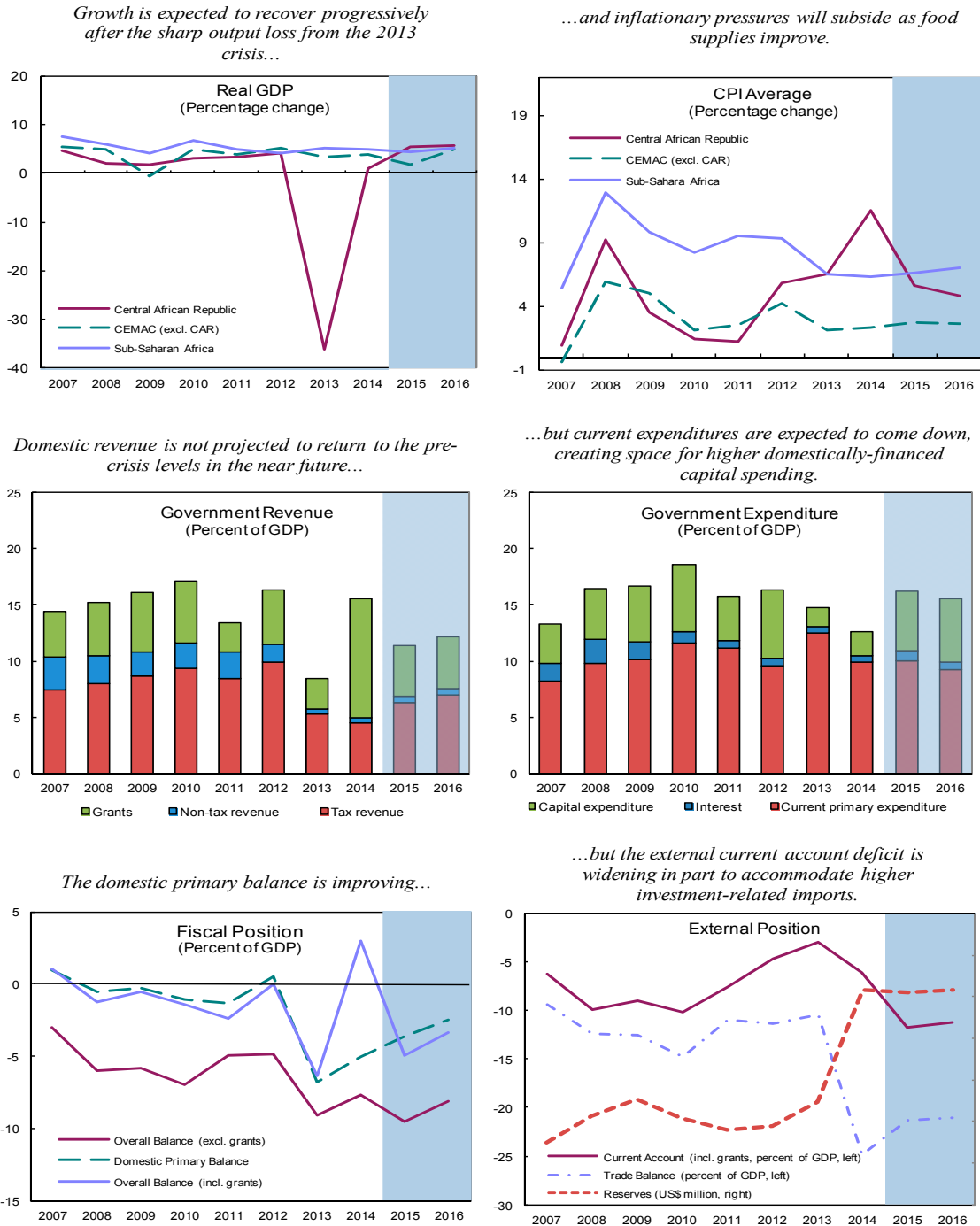
**27. Development partners need to provide further concessional support.** Notwithstanding the authorities' efforts, C.A.R. faces limited prospects of rapidly increasing domestic revenue and significant financing requirements to fund large infrastructure and social investment needs. Thus, it will have to rely on substantial amounts of foreign capital. However, the country is already at a high level of debt distress, as indicated by the debt sustainability analysis, and debt management capacity is low. Despite ad hoc debt service relief granted by regional partners, overall external obligations remain high, notably vis-à-vis the Fund as a result of early front-loaded financing. Staff recommends that C.A.R. rely exclusively on highly concessional financing. Based on the authorities' performance since 2014, development partners are encouraged to scale up their interventions, both in terms of financial support and technical assistance. However, their engagement in 2016 and beyond will be largely contingent on the newly elected authorities' relations with the Fund.

**28. Prospects remain subject to risks.** These include a volatile security environment, limited administrative capacity, delays in external support that could give rise to wage and pension arrears and trigger social unrest, and lack of funding for the demobilization and disarmament program that is at the heart of the crisis resolution.

**29. Staff supports the authorities' request for a third disbursement under the RCF.** Given the satisfactory policy performance under the authorities' program through June 2015, the strong commitment of the transition government to continue undertaking challenging reforms, and the urgent balance of payments need, staff supports the request for this disbursement under the RCF. C.A.R.'s capacity to repay the Fund remains adequate as a result of stepped-up domestic revenue mobilization and the rigorous execution of the treasury management plan, with donors'

participation, In the post-transition period, and with expected improvements in capacity made possible by the implementation of technical assistance programs already in place, the newly elected government will likely request a new longer-term arrangement under the Extended Credit Facility (ECF). Continued Fund assistance is expected to have a positive catalytic effect on budget support from development partners. It will also reinforce the Fund's role in coordinating economic and financial policies within a coherent framework, as well as the needed technical assistance that would be provided by all partners.

**Figure 1. Central African Republic: Macroeconomic Performance and Prospects, 2007–16**



**Table 1. Central African Republic: Selected Economic and Financial Indicators, 2010–16**

	2010	2011	2012	2013	2014	2015		2016
					Est.	Staff Report March 2015	Rev. Proj.	Proj.
(Annual percentage change; unless otherwise indicated)								
National income and prices								
GDP at constant prices	3.0	3.3	4.1	-36.0	1.0	5.7	5.5	5.7
GDP at current prices	5.1	5.3	6.9	-31.4	12.1	12.3	12.1	12.7
GDP deflator	2.0	2.0	2.7	7.2	11.0	6.2	6.3	6.6
CPI (annual average)	1.5	1.2	5.9	6.6	11.6	5.7	5.7	4.9
CPI (end-of-period)	2.3	4.3	5.9	5.9	8.4	9.4	9.4	2.5
Money and credit								
Broad money	16.1	13.8	1.6	5.6	14.6	12.3	12.5	12.7
Credit to the economy <sup>1</sup>	13.3	10.5	16.5	-11.5	2.2	9.2	6.1	6.2
External sector								
Export volume of goods	12.0	7.7	11.3	-50.8	-40.3	72.7	19.7	42.8
Import volume of goods	13.2	-19.7	23.3	-29.3	76.3	11.1	-4.2	33.0
Terms of trade	1.6	-0.4	3.8	19.8	15.2	13.3	11.3	-7.5
(Percent of GDP; unless otherwise indicated)								
Gross national savings	4.1	4.6	10.4	5.7	4.1	8.4	2.8	5.1
<i>Of which:</i> current official transfers	1.4	0.0	1.0	1.3	8.6	1.9	0.0	1.5
Gross domestic savings	-0.4	1.2	3.6	-1.7	-14.6	0.7	-6.6	-4.8
Government	-0.7	-0.7	1.4	-7.0	-5.2	-3.8	-3.8	-2.1
Private sector	0.3	1.9	2.2	5.3	-9.4	4.5	-1.4	-2.6
Consumption	100.4	98.8	96.4	101.7	114.6	99.3	106.6	104.8
Government	8.2	7.9	7.4	10.1	8.1	7.3	7.3	6.7
Private sector	92.2	90.9	89.0	91.6	106.5	92.0	99.3	98.1
Gross investment	14.3	12.2	15.0	8.7	10.2	19.9	14.6	16.3
Government	6.0	4.0	6.2	1.7	2.1	10.6	5.4	5.7
Private sector	8.2	8.2	8.8	7.0	8.1	9.3	9.3	10.6
External current account balance	-10.2	-7.6	-4.6	-3.0	-6.1	-11.5	-11.8	-11.2
Overall balance of payments	-3.6	-2.8	3.0	2.8	-3.2	-6.1	-4.7	-1.0
Central government finance								
Total revenue (including grants)	17.2	13.3	16.4	8.4	15.6	16.5	11.3	12.2
<i>of which:</i> domestic revenue	11.6	10.8	11.5	5.7	4.9	6.7	6.7	7.5
Total expenditure <sup>2</sup>	18.6	15.7	16.4	14.7	12.6	21.5	16.2	15.6
Overall balance <sup>2</sup>								
Excluding grants	-7.0	-4.9	-4.9	-9.1	-7.7	-14.7	-9.5	-8.1
Including grants	-1.5	-2.4	0.0	-6.3	3.0	-4.9	-4.9	-3.4
Domestic primary balance <sup>3</sup>	-1.0	-1.3	0.5	-6.8	-5.0	-4.1	-3.7	-2.5
Public sector debt	32.3	32.9	33.1	52.3	47.6	43.5	42.1	37.1
<i>Of which:</i> domestic debt <sup>4</sup>	12.5	13.3	12.8	18.9	17.2	15.2	15.7	12.9
Gross official foreign reserves								
(US\$ millions, end-of-period)	186.0	171.5	175.6	205.8	258.7	205.9	254.6	258.4
(months of imports, f.o.b.)	4.3	3.9	5.6	3.7	5.2	4.3	4.9	4.9
Nominal GDP (CFA franc billions)	984	1036	1108	760	852	956	955	1076

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

<sup>1</sup> Percent of broad money at beginning of the period.<sup>2</sup> Expenditure is on a cash basis for current period expenditure.<sup>3</sup> Excludes grants, interest payments, and externally-financed capital expenditure.<sup>4</sup> Comprises government debt to BEAC and commercial banks, government arrears, and public enterprises' domestic debt.



Table 2. Central African Republic: Central Government Financial Operations, 2010–16

	2010	2011	2012	2013	2014	2015		2016
						Est. March 2015	Staff Report Rev. Proj.	
(CFAF billions)								
Revenue	168.7	138.1	181.3	63.8	132.7	158.2	107.8	131.0
Domestic revenue	114.2	111.8	127.3	43.2	41.8	64.3	64.3	80.3
Tax revenue	91.9	87.1	109.3	39.8	37.6	59.2	59.2	73.9
Taxes on profits and property	17.8	18.8	21.1	7.2	8.2	11.2	11.2	14.0
Taxes on goods and services	74.2	68.3	88.2	32.6	29.4	48.0	48.0	59.9
<i>Of which</i> : international trade	26.9	32.4	30.5	8.8	9.4	14.7	15.3	18.4
Non-tax revenue	22.3	24.7	18.0	3.4	4.2	5.1	5.1	6.4
Grants	54.5	26.3	54.0	20.7	90.9	93.9	43.5	50.7
Program	13.8	0.0	11.0	9.7	73.6	18.5	0.0	15.7
Project	40.7	26.3	42.9	11.0	17.3	75.4	43.5	35.0
Expenditure <sup>1</sup>	183.0	162.7	181.3	111.9	107.3	205.3	155.0	167.5
Primary Spending	124.4	125.4	121.8	94.9	84.4	103.1	99.2	106.7
Current primary expenditure	113.3	114.6	105.1	94.3	83.6	95.5	95.5	99.1
Wages and salaries	43.3	46.0	50.8	53.7	54.9	50.0	50.0	50.0
Transfers and subsidies <sup>2</sup>	32.3	32.5	23.1	17.5	14.5	25.5	25.5	27.0
Goods and services	37.6	36.1	31.2	23.1	14.2	20.0	20.0	22.0
Interest due	10.2	7.0	8.0	5.0	5.5	8.3	8.3	7.5
External	2.0	2.7	1.4	2.6	3.2	3.3	3.3	3.4
Domestic	8.2	4.3	6.6	2.4	2.3	5.0	5.0	4.1
Capital expenditure	59.5	41.1	68.2	12.7	18.1	101.5	51.2	61.0
Domestically financed	11.1	10.7	16.7	0.6	0.8	7.6	3.7	7.6
Externally financed	48.4	30.3	51.4	12.1	17.3	93.9	47.5	53.4
Overall balance								
Excluding grants	-68.8	-50.9	-54.0	-68.8	-65.5	-141.0	-90.7	-87.2
<i>Of which</i> : domestic primary balance <sup>3</sup>	-10.2	-13.6	5.5	-51.7	-42.6	-38.8	-34.9	-26.4
Including grants	-14.3	-24.6	0.0	-48.1	25.4	-47.1	-47.2	-36.5
Net change in arrears (-) = reduction								
Domestic	-6.2	1.7	-5.4	17.4	-13.9	-8.0	-8.0	-8.0
External	-7.5	-4.0	-4.0	17.4	-12.1	-8.0	-8.0	-8.0
External	1.3	5.7	-1.4	0.0	-1.8	0.0	0.0	0.0
Errors and omissions	-2.1	2.1	0.4	0.3	-10.4	0.0	0.0	-0.1
Overall balance, cash basis	-22.5	-20.8	-5.0	-30.4	1.1	-55.1	-55.2	-44.5
Identified financing	22.5	20.8	5.0	30.4	-1.1	-4.9	-1.0	32.8
External, net	6.4	-3.9	0.4	20.5	0.9	7.5	-7.0	7.9
Project loans	7.7	4.0	8.5	1.1	0.0	18.5	4.0	18.4
Program loans	0.0	0.0	0.0	25.0	0.0	0.0	0.0	0.0
Amortization due	-1.3	-7.9	-8.1	-5.6	-5.8	-11	-11.0	-10.5
Exceptional financing	0.0	0.0	0.0	0.0	6.7	0.0	0.0	0.0
Domestic, net	16.1	24.7	4.6	9.9	-2.0	-12.5	6.0	24.9
Banking system	15.7	22.4	-3.6	8.8	-2.0	-12.5	1.9	24.9
BEAC	20.5	14.7	2.1	4.5	-12.0	-13.1	-5.0	17.8
<i>of which</i> : Counterpart to IMF resources (BEAC)	6.6	0.0	11.9	1.2	3.6	-7.9	-6.8	-10.9
Commercial banks	-4.8	7.7	-5.7	4.3	10.0	0.6	6.9	7.1
Nonbank <sup>4</sup>	0.4	2.3	8.2	1.2	0.0	0.0	4.1	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	60.1	56.2	11.7
<i>Memorandum items:</i>								
Total government debt	317.8	341.1	366.4	397.3	405.6	415.8	402.3	399.0
Government domestic debt <sup>5</sup>	122.9	137.7	141.6	143.8	146.1	145.2	149.8	138.6
Nominal GDP	984	1036	1108	760	852	956	955	1076

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

<sup>1</sup> Expenditure is on a cash basis, except for interest, which is recorded on a due basis.<sup>2</sup> The year 2010 includes outlays for the disarmament, demobilization and reintegration.<sup>3</sup> Excludes grants, interest payments, and externally-financed capital expenditure.<sup>4</sup> Includes repayments to CEMAC commercial banks and domestic suppliers for oil subsidies.<sup>5</sup> Excluding arrears.

**Table 3. Central African Republic: Central Government Financial Operations, 2010–16**

	2010	2011	2012	2013	2014 Est.	2015		2016 Proj.
						Staff Report March 2015	Rev. Proj.	
(In percent of GDP)								
Revenue	17.2	13.3	16.4	8.4	15.6	16.5	11.3	12.2
Domestic revenue	11.6	10.8	11.5	5.7	4.9	6.7	6.7	7.5
Tax revenue	9.3	8.4	9.9	5.2	4.4	6.2	6.2	6.9
Taxes on profits and property	1.8	1.8	1.9	0.9	1.0	1.2	1.2	1.3
Taxes on goods and services	7.5	6.6	8.0	4.3	3.4	5.0	5.0	5.6
<i>Of which</i> : international trade	2.7	3.1	2.8	1.2	1.1	1.5	1.6	1.7
Non-tax revenue	2.3	2.4	1.6	0.4	0.5	0.5	0.5	0.6
Grants	5.5	2.5	4.9	2.7	10.7	9.8	4.6	4.7
Program	1.4	0.0	1.0	1.3	8.6	1.9	0.0	1.5
Project	4.1	2.5	3.9	1.4	2.0	7.9	4.6	3.3
Expenditure <sup>1</sup>	18.6	15.7	16.4	14.7	12.6	21.5	16.2	15.6
Primary Spending	12.6	12.1	11.0	12.5	9.9	10.8	10.4	9.9
Current primary expenditure	11.5	11.1	9.5	12.4	9.8	10.0	10.0	9.2
Wages and salaries	4.4	4.4	4.6	7.1	6.4	5.2	5.2	4.6
Transfers and subsidies <sup>2</sup>	3.3	3.1	2.1	2.3	1.7	2.7	2.7	2.5
Goods and services	3.8	3.5	2.8	3.0	1.7	2.1	2.1	2.0
Interest due	1.0	0.7	0.7	0.7	0.7	0.9	0.9	0.7
External	0.2	0.3	0.1	0.3	0.4	0.3	0.3	0.3
Domestic	0.8	0.4	0.6	0.3	0.3	0.5	0.5	0.4
Capital expenditure	6.0	4.0	6.2	1.7	2.1	10.6	5.4	5.7
Domestically financed	1.1	1.0	1.5	0.1	0.1	0.8	0.4	0.7
Externally financed	4.9	2.9	4.6	1.6	2.0	9.8	5.0	5.0
Overall balance								
Excluding grants	-7.0	-4.9	-4.9	-9.1	-7.7	-14.7	-9.5	-8.1
<i>Of which</i> : domestic primary balance <sup>3</sup>	-1.0	-1.3	0.5	-6.8	-5.0	-4.1	-3.7	-2.5
Including grants	-1.5	-2.4	0.0	-6.3	3.0	-4.9	-4.9	-3.4
Net change in arrears ((-) = reduction)								
Domestic	-0.6	0.2	-0.5	2.3	-1.6	-0.8	-0.8	-0.7
External	-0.8	-0.4	-0.4	2.3	-1.4	-0.8	-0.8	-0.7
Errors and omissions	0.1	0.6	-0.1	0.0	-0.2	0.0	0.0	0.0
Overall balance, cash basis	-0.2	0.2	0.0	0.0	-1.2	0.0	0.0	0.0
Overall balance, cash basis	-2.3	-2.0	-0.5	-4.0	0.1	-5.8	-5.8	-4.1
Identified financing								
External, net	2.3	2.0	0.5	4.0	-0.1	-0.5	-0.1	3.0
Project loans	0.7	-0.4	0.0	2.7	0.1	0.8	-0.7	0.7
Program loans	0.8	0.4	0.8	0.1	0.0	1.9	0.4	1.7
Amortization due	0.0	0.0	0.0	3.3	0.0	0.0	0.0	0.0
Exceptional financing	-0.1	-0.8	-0.7	-0.7	-0.7	-1.1	-1.2	-1.0
Domestic, net	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0
Banking system	1.6	2.4	0.4	1.3	-0.2	-1.3	0.6	2.3
BEAC	1.6	2.2	-0.3	1.2	-0.2	-1.3	0.2	2.3
<i>of which</i> : Counterpart to IMF resources (BEAC)	2.1	1.4	0.2	0.6	-1.4	-1.4	-0.5	1.7
Commercial banks	0.7	0.0	1.1	0.2	0.4	-0.8	-0.7	-1.0
Nonbank <sup>4</sup>	-0.5	0.7	-0.5	0.6	1.2	0.1	0.7	0.7
Residual financing need	0.0	0.2	0.7	0.2	0.0	0.0	0.4	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	6.3	5.9	1.1
<i>Memorandum items:</i>								
Total government debt	32.3	32.9	33.1	52.3	47.6	43.5	42.1	37.1
Government domestic debt <sup>5</sup>	12.5	13.3	12.8	18.9	17.2	15.2	15.7	12.9

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

<sup>1</sup> Expenditure is on a cash basis, except for interest, which is recorded on a due basis.<sup>2</sup> The year 2010 includes outlays for the disarmament, demobilization and reintegration.<sup>3</sup> Excludes grants, interest payments, and externally-financed capital expenditure.<sup>4</sup> Includes repayments to CEMAC commercial banks and domestic suppliers for oil subsidies.<sup>5</sup> Excluding arrears.

Table 4. Central African Republic: Monetary Survey, 2010–16

	2010	2011	2012	2013	2014	2015		2016 Proj.
						Est. March 2015	Rev. Proj.	
(CFAF billions; end of period)								
Net foreign assets	10.6	13.3	-11.4	8.6	51.7	22.5	64.0	65.5
Bank of Central African States (BEAC)	0.1	-4.8	-7.2	8.4	47.6	22.3	59.4	60.3
Commercial banks	10.5	18.2	-4.2	0.2	4.1	0.3	4.6	5.2
Net domestic assets	209.6	245.1	278.3	268.3	248.2	275.0	265.0	303.7
Domestic credit	222.9	263.6	292.8	278.5	281.2	285.2	298.0	339.9
Credit to the public sector	132.3	154.6	151.1	159.8	157.8	135.8	159.7	184.6
Credit to central government (net)	132.3	154.6	151.1	159.8	157.8	135.8	159.7	184.6
BEAC	129.2	143.9	146.0	150.5	138.5	125.2	133.5	151.3
Treasury account	58.4	59.8	62.5	65.1	43.4	43.9	47.1	75.9
Consolidated loans	46.9	46.1	44.9	43.1	45.9	43.1	45.9	45.9
IMF (net, SDR allocation in NFA)	44.4	45.7	50.2	47.0	50.6	43.1	43.9	32.9
Deposits	-20.4	-7.7	-11.5	-4.7	-1.4	-4.9	-3.3	-3.4
Commercial banks	3.0	10.7	5.1	9.4	19.3	10.6	26.2	33.3
Credit to other public agencies (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	90.6	108.9	141.8	118.6	123.4	149.4	138.2	155.3
Public enterprises	1.6	2.8	3.1	3.4	2.9	4.3	3.2	3.7
Private sector	89.0	106.1	138.7	115.2	120.5	145.0	135.0	151.6
Other items (net)	-13.2	-18.4	-14.6	-10.2	-33.0	-10.2	-33.0	-36.2
Money and quasi-money	175.0	199.2	202.3	213.7	244.8	269.0	275.4	310.4
Currency	94.4	105.5	105.1	120.2	138.2	156.3	160.6	181.1
Deposits	80.6	93.6	97.2	93.5	106.6	112.6	114.8	129.4
Demand deposits	49.9	53.5	57.7	49.4	58.9	57.5	61.3	69.1
Term and savings deposits	30.7	40.1	39.5	44.0	47.7	55.1	53.5	60.3
Other liabilities excluded from broad money	45.1	59.3	64.6	63.3	60.5	28.6	53.6	58.8
(Annual change, percent of beginning period broad money)								
Net foreign assets	-12.0	1.6	-12.4	9.9	20.2	0.8	5.0	0.5
Net domestic assets	24.0	20.3	16.6	-4.9	-9.4	4.0	6.9	14.1
Net domestic credit	23.7	23.3	14.7	-7.1	1.3	4.0	6.9	15.2
Net credit to central government	10.4	12.8	-1.8	4.3	-0.9	-5.2	0.8	9.0
Credit to the economy	13.3	10.5	16.5	-11.5	2.2	9.2	6.1	6.2
Money and quasi-money	16.1	13.8	1.6	5.6	14.6	12.3	12.5	12.7
(Annual percentage change)								
Net foreign assets	-63.1	26.1	-185.6	-175.5	500.5	...	23.7	2.3
Net domestic assets	20.9	16.9	13.5	-3.6	-7.5	...	6.8	14.6
Monetary base	2.3	8.2	-2.4	16.4	23.6	12.3	12.1	12.7
Credit to the economy	28.3	20.2	30.2	-16.3	4.0	17.3	12.1	12.3
Public enterprises	-7.8	72.6	10.6	9.9	-15.8	12.3	12.1	13.0
Private sector	29.3	19.3	30.7	-16.9	4.6	17.5	12.1	12.3
<i>Memorandum items:</i>								
Gross official foreign reserves (CFAF billions)	91.3	87.0	87.8	98.5	137.7	112.4	149.5	150.4
NDA of the central bank (CFAF billions)	108.3	122.0	121.6	124.7	117.0	145.3	125.1	147.7
Monetary base (CFAF billions)	108.4	117.2	114.4	133.1	164.6	167.6	184.5	208.0
Nominal GDP (CFAF billions)	984	1036	1108	760	852	956	955	1076
Velocity (GDP/broad money)								
End of period	5.6	5.2	5.5	3.6	3.5	3.6	3.5	3.5

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

Table 5. Central African Republic: Balance of Payments, 2010–16

	2010	2011	2012	2013	2014	2015		2016
						Est.	Staff Report March 2015	
(Billions of CFA francs)								
Current account	-99.8	-78.3	-51.1	-22.8	-51.6	-109.8	-112.6	-120.5
Balance on goods	-86.7	-59.0	-68.4	-55.1	-160.4	-128.1	-150.9	-173.8
Exports, f.o.b.	76.7	99.1	97.5	53.0	37.9	65.7	46.1	62.5
Imports, f.o.b.	-163.4	-158.1	-165.8	-108.1	-198.4	-193.9	-197.0	-236.3
Services (net)	-57.9	-54.6	-58.0	-24.0	-50.8	-55.1	-52.0	-53.3
Credit	39.5	40.3	41.0	55.4	67.1	56.9	70.1	73.4
Debit	-97.4	-94.9	-99.0	-79.4	-117.9	-112.0	-122.1	-126.8
Income (net)	4.8	4.6	5.7	2.8	3.5	4.2	4.2	0.7
Credit	8.0	8.4	8.8	9.4	10.0	10.6	10.6	11.2
Debit	-3.2	-3.8	-3.1	-6.6	-6.5	-6.4	-6.4	-10.5
Transfers (net)	40.0	30.7	69.5	53.6	156.1	69.2	86.1	105.9
Private	3.5	7.1	34	18.5	61.3	22.3	62.3	63.4
Official	36.5	23.6	35.5	35.1	94.8	46.9	23.8	42.6
<i>of which: Program</i>	13.8	0.0	11.0	9.7	73.6	18.5	0.0	15.7
Capital account	40.7	26.3	42.9	11.0	17.3	75.4	43.5	35.0
Project grants	40.7	26.3	42.9	11.0	17.3	75.4	43.5	35.0
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	24.0	23.1	41.6	32.7	7.4	-23.8	24.7	74.7
Direct investment	30.1	17.4	35.7	0.9	1.1	3.2	3.2	16.3
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	-6.1	5.7	5.9	31.8	6.3	-26.9	21.6	58.4
Public sector (net) <sup>1</sup>	6.4	-3.9	0.4	20.5	-5.8	...	-7.0	7.9
Project disbursement	7.7	4.0	8.5	1.1	0.0	...	4.0	18.4
Program disbursement	0.0	0.0	0.0	25.0	0.0	...	0.0	0.0
Scheduled amortization	-1.3	-7.9	-8.1	-5.6	-5.8	...	-11.0	-10.5
Monetary authorities (SDR allocation)	0.0	0.0	0.0	0.0	0.0	...	0.0	0.0
Other short-term flows	-12.5	9.6	5.5	11.3	12.1	...	28.6	50.5
Errors and omissions	-16.2	17.7	-35.8	-5.3	66.2	0.0	0.0	0.0
Overall balance (excl. errors and omissions)	-35.1	-28.9	33.5	20.9	-26.9	-58.2	-44.4	-10.8
Identified financing	51.3	11.2	2.4	-15.6	-32.5	-1.9	-11.8	-0.9
Net official reserves movements	21.3	4.9	2.4	-15.6	-39.2	-1.9	-11.8	-0.9
Net IMF credit	6.6	0.0	11.9	1.2	3.6	-7.9	-6.8	-10.9
SDR allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other reserves (increase = -)	14.8	4.9	-9.5	-16.8	-42.8	6.0	-5.0	10.0
Exceptional financing	30.0	6.3	0.0	0.0	0.0	0.0	0.0	0.0
Debt rescheduling	0.0	0.0	0.0	0.0	6.7	0.0	0.0	0.0
Other exceptional financing <sup>1</sup>	30	6.3	0.0	0.0	0.0	0.0	0.0	0.0
Debt payment arrears (reduction=-)	30	6.3	0.0	0.0	0.0	...	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	60.1	56.2	11.7
<i>Memorandum items:</i>								
Terms of trade	1.6	-0.4	3.8	19.8	15.2	13.3	11.3	-7.5
Unit price of exports	7.2	20.0	-11.7	10.5	19.9	8.7	1.4	-5.0
Unit price of imports	5.6	20.5	-14.9	-7.8	4.1	-4.1	-8.4	2.2
Gross official foreign reserves								
(CFAF billions, end-of-period)	91.3	87.0	87.8	98.5	137.7	112.4	149.5	150.4
(Months of imports, f.o.b.)	4.3	3.9	5.6	3.7	5.2	4.3	4.9	4.9
Current account (percent of GDP)	-10.2	-7.6	-4.6	-3.0	-6.1	-11.5	-11.8	-11.2
Capital account (percent of GDP)	4.1	2.5	3.9	1.4	2.0	7.9	4.6	3.3
Nominal GDP (CFAF billions)	984	1036	1108	760	852	956	955	1076

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

<sup>1</sup> Includes HIPC debt relief from multilateral creditors. For 2010 onward, reflects full delivery of HIPC and MDRI relief on a flow basis.

**Table 6. Central African Republic: Treasury Cash Management Plan, 2015**

(In millions of CFA francs)

	January Act.	February Act.	March Act.	April Act.	May Act.	June Act.	July Act.	Total Jan-Jul Proj.	Total Jan-Jul Act.	August Proj.	September Proj.	October Proj.	November Proj.	December Proj.	Total 2015 Proj.
(In millions of CFA francs)															
<b>Balance from previous month (I)</b>	<b>15,030</b>	<b>15,519</b>	<b>11,554</b>	<b>15,736</b>	<b>13,185</b>	<b>8,878</b>	<b>10,947</b>	<b>15,034</b>	<b>15,030</b>	<b>13,358</b>	<b>17,430</b>	<b>16,802</b>	<b>9,868</b>	<b>5,370</b>	<b>15,030</b>
<b>Gross cash inflows (II)</b>	<b>6,277</b>	<b>7,977</b>	<b>12,703</b>	<b>6,065</b>	<b>4,570</b>	<b>11,433</b>	<b>13,300</b>	<b>72,224</b>	<b>62,325</b>	<b>18,250</b>	<b>13,550</b>	<b>7,244</b>	<b>9,680</b>	<b>19,507</b>	<b>130,556</b>
Primary revenue	3,521	5,477	5,579	6,065	4,570	5,134	5,690	35,354	36,036	4,650	4,600	4,244	4,480	4,290	58,300
Other revenue	2,756							0	2,756						2,756
<b>Financing<sup>1</sup></b>	<b>0</b>	<b>2,500</b>	<b>7,124</b>	<b>0</b>	<b>0</b>	<b>6,299</b>	<b>7,610</b>	<b>36,870</b>	<b>23,533</b>	<b>13,600</b>	<b>8,950</b>	<b>3,000</b>	<b>5,200</b>	<b>15,217</b>	<b>69,500</b>
Treasury securities		2,500				5,500	2,434	8,000	10,434	2,000				1,066	13,500
Other budget support	0	0	7,124		0	799	5,176	28,870	13,099	11,600	8,950	3,000	5,200	14,151	56,000
Congo								5,000	0					5,000	5,000
World Bank						799		0	799		2,750			1,951	5,500
African Development Bank								0	0			3,000		3,100	6,100
IMF			4,500					4,500	4,500		6,200				10,700
European Union								11,170	0	11,200			5,200		16,400
France			2,624				5,176	7,800	7,800						7,800
BEAC								0	0					3,900	3,900
CEMAC Development Bank								0	0					200	200
UNDP								400	0	400					400
<b>Gross cash outflows (III)</b>	<b>5,788</b>	<b>11,942</b>	<b>8,521</b>	<b>8,617</b>	<b>8,876</b>	<b>9,364</b>	<b>10,889</b>	<b>82,660</b>	<b>63,997</b>	<b>14,178</b>	<b>14,178</b>	<b>14,178</b>	<b>14,178</b>	<b>13,408</b>	<b>134,117</b>
<b>Primary expenditure</b>	<b>1,306</b>	<b>10,159</b>	<b>5,717</b>	<b>6,629</b>	<b>6,760</b>	<b>6,953</b>	<b>6,919</b>	<b>59,518</b>	<b>44,443</b>	<b>11,105</b>	<b>11,105</b>	<b>11,105</b>	<b>11,105</b>	<b>10,335</b>	<b>99,200</b>
Wages	19	8,128	4,051	4,064	4,080	4,123	4,125	27,821	28,590	4,436	4,436	4,436	4,436	3,666	50,000
Goods and services	811	514	889	1,369	1,299	1,058	1,166	14,835	7,106	2,579	2,579	2,579	2,579	2,579	20,000
Transfers	406	1,426	728	826	779	1,772	1,249	15,278	7,186	3,663	3,663	3,663	3,663	3,663	25,500
Capital	70	91	49	370	602	0	379	1,584	1,561	428	428	428	428	428	3,700
Interest and fees	111	116	65	58	139	285	465	4,294	1,239	1,412	1,412	1,412	1,412	1,412	8,300
<b>Amortizations</b>	<b>3,528</b>	<b>98</b>	<b>98</b>	<b>554</b>	<b>1,107</b>	<b>1,515</b>	<b>3,218</b>	<b>11,718</b>	<b>10,118</b>	<b>1,660</b>	<b>1,660</b>	<b>1,660</b>	<b>1,660</b>	<b>1,660</b>	<b>18,420</b>
Domestic	1,134			261	53	1,211	3,110	4,960	5,721	340	340	340	340	340	7,420
External	2,394	98	98	293	1,102	304	108	6,758	4,397	1,321	1,321	1,321	1,321	1,321	11,000
Arrears payments	843	1,569	2,641	1,376	870	611	287	7,130	8,197	0	0	0	0	0	8,197
<b>Net cash flow (=II-III)</b>	<b>489</b>	<b>-3,965</b>	<b>4,182</b>	<b>-2,552</b>	<b>-4,306</b>	<b>2,069</b>	<b>2,411</b>	<b>-10,436</b>	<b>-1,672</b>	<b>4,072</b>	<b>-628</b>	<b>-6,934</b>	<b>-4,498</b>	<b>6,099</b>	<b>-3,561</b>
<b>Balance at end of month (=I+II-III)</b>	<b>15,519</b>	<b>11,554</b>	<b>15,736</b>	<b>13,185</b>	<b>8,878</b>	<b>10,947</b>	<b>13,358</b>	<b>4,598</b>	<b>13,358</b>	<b>17,430</b>	<b>16,802</b>	<b>9,868</b>	<b>5,370</b>	<b>11,469</b>	<b>11,469</b>

Source: Data provided by the Authorities.

Table 7. Central African Republic: External Support of Technical and Financial Partners, 2015

Partners	Commitments (for the year 2015)		Disbursements (as of August, 2015)	Expected Disbursements	Purpose
	Foreign Currency	CFA francs, billion	CFA francs, billion	CFA francs, billion	
IMF	US\$ 8.1 million	4.5	4.5	0.0	Balance of payments support
World Bank	US\$ 10 million	5.5	0.0	5.5	Payment of salaries, excluding security forces
UNDP	US\$ 0.8 million	0.4	0.4	0.0	Payment of salaries of the security forces, excluding the army.
African Development Bank	US\$ 10 million	6.1	0.0	6.1	Budget support
European Union	€ 25 million	16.4	11.2	5.2	Budget support
France	€ 4 (from 2014) + 8 million	7.8	7.8	0.0	Budget support (of which, € 1 million for compensation for airport residents and € 2 million for the elections).
BEAC	CFAF 3.9 billion	3.9	3.9	0.0	Debt consolidation in place
CEMAC Development Bank	CFAF 0.2 billion	0.2	0.2	0.0	Debt consolidation in place
Congo	CFAF 5 billion	5.0	5.0	0.0	Debt consolidation in place
<b>Total</b>		<b>50.0</b>	<b>33.1</b>	<b>16.9</b>	
<b>Memorandum item:</b>	<i>Remaining financing needs:</i>	<b>6.2</b>			
	<i>IMF (15 percent of quota)</i>				
	<i>CFAF</i>	<b>6.2</b>			

1/ Reduction in domestically-financed capital spending in light of progress in implementing projects and spare capacity.

**Table 8. Central African Republic: Indicators of Capacity to Repay the IMF, 2014–24**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>IMF obligations based on existing credit</b>											
(SDR millions)											
Principal	3.53	2.91	13.92	12.16	10.31	9.10	5.35	4.18	4.18	2.79	1.95
Charges and interest	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.00	0.00	0.00	0.00
<b>IMF obligations based on existing and prospective credit</b>											
(SDR millions)											
Principal	3.53	2.91	13.92	12.16	10.31	9.10	5.35	5.85	5.85	4.46	3.62
Charges and interest	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.00	0.00	0.00	0.00
<b>Total obligations based on existing and prospective credit</b>											
SDR Millions	3.53	2.91	13.92	12.16	10.31	9.12	5.36	5.85	5.85	4.46	3.62
CFAF Billions	2.65	2.18	10.44	9.12	7.73	6.84	4.02	4.39	4.39	3.35	2.72
Percent of government revenue	6.3	3.4	13.0	9.5	6.8	4.5	2.2	2.2	2.0	1.4	1.0
Percent of exports of goods and services	2.5	1.9	7.7	5.6	4.4	3.6	2.0	2.0	1.9	1.3	1.0
Percent of debt services	36.3	8.4	36.1	36.8	30.1	24.5	14.7	18.1	21.2	18.8	22.0
Percent of GDP	0.31	0.23	0.97	0.75	0.57	0.46	0.25	0.25	0.24	0.17	0.13
Percent of quota	6.3	5.2	25.0	21.8	18.5	16.4	9.6	10.5	10.5	8.0	6.5
<b>Outstanding IMF Credit</b>											
SDR Millions	68.98	72.86	58.93	46.77	36.46	27.36	22.00	16.15	10.30	5.85	2.23
CFAF Billions	51.74	54.66	44.21	35.08	27.35	20.52	16.50	12.11	7.73	4.39	1.7
Percent of government revenue	123.79	84.94	55.05	36.48	24.15	13.51	8.94	6.00	3.50	1.82	0.63
Percent of exports of goods and services	49.27	47.06	32.52	21.50	15.50	10.80	8.09	5.54	3.28	1.72	0.61
Percent of debt services	709.77	209.55	152.95	141.50	106.56	73.44	60.22	50.03	37.26	24.65	13.55
Percent of GDP	6.08	5.73	4.11	2.90	2.02	1.38	1.02	0.70	0.42	0.22	0.08
Percent of quota	123.84	130.81	105.80	83.97	65.46	49.12	39.50	28.99	18.49	10.50	4.00
Net use of IMF credit (SDR millions)											
Disbursements	8.36	13.91	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	3.53	2.91	13.92	12.16	10.31	9.12	5.37	5.85	5.85	4.46	3.62
<i>Memorandum items:</i>											
Nominal GDP (billions of CFA francs)	851.6	954.7	1076.3	1211.4	1354.7	1490.1	1622.9	1730.4	1845.0	1967.1	2097.2
Exports of goods and services (billions of CFA francs)	105.0	116.1	135.9	163.2	176.5	190.1	203.9	218.8	235.5	254.7	272.8
Government revenue (billions of CFA francs)	41.8	64.3	80.3	96.2	113.3	151.9	184.6	201.9	220.8	241.6	264.3
Debt service (billions of CFA francs)	7.3	26.1	28.9	24.8	25.7	27.9	27.4	24.2	20.7	17.8	12.3
IMF Quota	55.7	55.7	55.7	55.7	55.7	55.7	55.7	55.7	55.7	55.7	55.7

Source: IMF staff projections.

## Appendix I. Letter of Intent

Bangui, Central African Republic

August 31, 2015

Madame Christine Lagarde  
Managing Director  
International Monetary Fund  
700 19th Street, N.W.  
Washington, D.C. 20431  
U.S.A.

Dear Madame Managing Director,

1. On March 18, 2015, the Executive Board of the International Monetary Fund (IMF) approved a disbursement equivalent to SDR 5.57 million for the Central African Republic (C.A.R.), equivalent to 10 percent of its quota, under the Rapid Credit Facility (RCF), in support of the policies of the transitional authorities designed to gradually re-establish macroeconomic stability and to set the stage to restore economic growth in 2015. Once again, this financial assistance is part of a vast framework of support the technical and financial partners have been contributing since the beginning of 2014 to ensure the success of the country's transition to democratically-elected institutions by end-2015.
2. The attached Memorandum of Economic and Financial Policies (MEFP) describes recent economic trends in the Central African Republic and progress that has been made in implementing our policies during the first half of 2015. In this connection, we would like to inform you that we have implemented all of the indicators we adopted for end-March and end-June 2015. The structural measures we adopted for end-June 2015, and in particular, the two action plans to strengthen revenue mobilization and to limit tax and customs exemptions, were finalized in early July.
3. This Memorandum also presents the economic and financial policies the transitional government of the Central African Republic is implementing during the remainder of 2015 to consolidate macroeconomic stability, support the economic recovery, restore the state's basic functions, strengthen public financial management, and advance its poverty reduction objectives.



To help achieve the objectives of our program and to cover our balance of payments needs, and in light of our satisfactory performance to date, we request financing for 15 percent of the quota (equivalent to SDR 8.355 million) under a new RCF. This support will also help anchor the transitional government's macroeconomic policies and mobilize further financial support from our partners.

4. We believe that the reform measures and policies outlined in the attached MEFP are appropriate to achieve the objectives of our program and reduce our balance of payments needs going forward. We will not introduce any measures or policies that would compound balance of payments difficulties. We are prepared to take additional measures that may subsequently be required for that purpose. We will consult the IMF on the adoption of such measures before revising any of the policies outlined in the MEFP. We will provide IMF staff all information needed to assess our policies, particularly as discussed in the Technical Memorandum of Understanding (TMU).

5. We intend to publish the IMF staff report, including this letter, the attached MEFP, and the TMU. We therefore authorize IMF staff to publish these documents on the IMF's external website once the Executive Board approves the new RCF.

Sincerely yours,

/s/  
Abdalla-Kadre Assane  
Minister of Finance and Budget

/s/  
Mahamat Kamoun  
Prime Minister  
Head of the Transitional Government

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

## Attachment I. Memorandum of Economic and Financial Policies for 2014–17

**1. This Memorandum of Economic and Financial Policies (MEFP) sets out the economic and financial policies the transitional government of the Central African Republic (C.A.R.) is implementing during the remainder of 2015.** These policies are consistent with our emergency program for the period 2014–15.

### CONTEXT

**2. The political dialog is ongoing, and the transitional government’s term has been extended until end-2015.** In the wake of the January 2015 partial government reshuffle aimed at enhancing security, strengthening the policy dialog, and improving management of the emergency program, a broad referendum was undertaken in preparation for the Bangui Forum on peace and reconciliation held during May 4–11, 2015. The Forum reached a consensus on an inclusive domestic political project to overcome the crisis, encouraged the signing of several agreements designed to strengthen national cohesion,<sup>1</sup> and proposed the postponement of the legislative and presidential elections as a result of the logistical problems associated with insufficient financing for the elections. The extension of the transition until end-2015 was formally confirmed by the recent Conference of Heads of State of the Economic Community of the Central African States (ECCAS).

**3. The security situation is gradually improving and the government’s authority being restored with the support of international forces.**<sup>2</sup> The United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA) forces continue to be deployed and the mandate of the French armed forces mission in the Central African Republic has been extended until at least December 2015, although with limited personnel.<sup>3</sup> Bangui has been relatively calm, although acts of criminal violence are perpetrated in some districts. The humanitarian situation has improved, making it possible for refugees and internally displaced persons (IDPs) to return to their homes. Economic activity is gradually recovering in various sectors. Notwithstanding

<sup>1</sup> The Bangui Forum was attended by representatives from the government, armed groups, national political parties, leaders from the traditional and private sectors, and civil society, as well as international partners and religious authorities. The Forum provided an opportunity to discuss the underlying causes of the conflict, and three key agreements were signed, including: (i) a peace agreement between the government and the armed groups; (ii) an agreement with the armed groups to stop recruiting minors and to demobilize all child soldiers recruited and children involved in the conflict; and (iii) creation of a Truth, Justice, and Reconciliation Commission, local peace committees, and a committee to investigate cross-border crime.

<sup>2</sup> Most of the forces from the former African-led International Support Mission to the Central African Republic (MISCA) as well as the French and European troops are now collaborating under the aegis of MINUSCA.

<sup>3</sup> French military personnel, which were halved to 900 soldiers in June 2015, focus on Bangui, where crime is a high risk.

these security improvements, especially in the interior of the country, armed groups are continuously present in the Western region, and conflicts continue in the Central areas of the country.

**4. Economic recovery is an integral part of our strategy to complete the transition in 2015.** The international partners play an important role in the recovery of economic activity in the key sectors of forestry, mining, agriculture, and transportation. In this context, we presented our plans to the partners at a round table sponsored by the European Union in Brussels on May 26, 2015. Our partners once again confirmed their political and financial support for our transition and our economic and social reform programs.

## RECENT ECONOMIC DEVELOPMENTS AND IMPLEMENTATION OF OUR PROGRAM

**5. Our assessment of the economic and financial situation for 2014 remains unchanged from the assessment reported in our March 2015 request for financial assistance.** Economic activity was weak in 2014 as a result of continued security problems and the delayed return of the displaced populations. Accordingly, real GDP growth was estimated at 1 percent, while average annual inflation growth reached 11.6 percent, essentially as a result of higher food prices triggered by the domestic production shock and disorganized transportation and distribution systems. Although we reached our budget targets for end-September and end-December 2014, domestic revenue amounted to only CFAF 41.8 billion, CFAF 10 billion below our objective. This under performance is attributable to slower-than-projected growth, two inoperative regional tax and customs departments, and the mainly low-rated customs duties for food products. With CFAF 73.6 billion in budget aid disbursements, total resources amounted to CFAF 115.4 billion. Reflecting our prudent expenditure approach and low execution capacity, we covered wage, salary, and debt service payments, and cleared one month of wage arrears as well as all pension arrears for 2013. We also accumulated CFAF 15 billion in reserves, which enabled us to meet our priority expenditure for the first quarter of 2015 and to bridge the financing gap prior to the second IMF disbursement under the RCF and assistance from France.

**6. On the structural front, we have implemented most of the measures that we had adopted to restore basic state functions.** Accordingly, we (i) completed the first phase of the project to clean the civil service roster, with support from the World Bank and the United Nations Development Program (UNDP), generating savings of CFAF 2.8 billion; (ii) restored the link between the budget and accounting modules in the government financial management information system GESCO, with support from France; and (iii) recruited the director and deputy director of the Central Accounting Agency of the Treasury (*Agence Comptable Centrale du Trésor-ACCT*).<sup>4</sup>

<sup>4</sup> The first candidate selected as the new Director of the ACCT resigned for security reasons. The second candidate on the list was hired effective July 2015.

**7. Economic developments during the first six months of 2015 were in line with the projections under our emergency program.** Economic activities are resuming as a result of improved security conditions, particularly in the agricultural and commercial sectors, facilitated by the resettlement of the population and regular secured convoys through the Douala-Bangui international trade corridor. Average annual inflation declined to 6.0 percent in June 2015 as a result of an increased supply of food products. Domestic revenue for the first half of the year was slightly above target. Available resources, including disbursements of financial support from the IMF and France and the reserves from end-2014 amounted to CFAF 56.2 billion, enabling us to pay wages, debt service, and to reduce arrears by CFAF 7.9 billion.<sup>5</sup> Domestically-financed capital expenditure remained in line with our projections.

**8. The current institutional framework is instrumental in enhancing our performance and strengthening financial governance.** This framework includes: (i) the treasury committee, which supervises treasury cash management with the participation of representatives of our development partners; (ii) the public financial management and oversight committee; and (iii) the national aid coordination committee created recently to coordinate with donors and manage the various forms of aid made available to us.

## ECONOMIC OUTLOOK FOR THE REMAINDER OF 2015

### A. Calmer but Still Difficult Context

**9. Much of the transitional government's attention will focus on the preparatory work for the legislative and presidential elections and the economic recovery.** It is paramount for us to hold elections by end-2015 and bring the transition to an end, restore democratic institutions and form a new government that will address the major challenges that C.A.R. faces. We are well aware, however, that remaining areas of insecurity and weak administrative and financial systems present major risks for the return and reintegration of the displaced populations, as well as a broad-based economic recovery, specifically in the forestry, mining, and agriculture sectors.<sup>6</sup> However, the recent Bangui Forum that laid the groundwork for national reconciliation, together with the macroeconomic policies implemented under our emergency program, and the ongoing support from our partners bode well for a gradual restoration of peace and stability.

### B. Macroeconomic Objectives

**10. Against this backdrop, assuming further improvements in security and implementation of our macroeconomic policies, our objectives for 2015 are as follows:**

<sup>5</sup> Total domestic payment arrears are CFAF 159.3 billion (16.7 percent of GDP), of which CFAF 121.3 billion remain to be audited.

<sup>6</sup> These sectors will play a critical role in increasing domestic revenue mobilization. Accordingly, we propose a structural measure pertaining to them for end-December 2015.

- A GDP growth rate of 5.5 percent. Agriculture, trade, and construction will continue to be the main engines of growth;
- Inflation projected to remain at 5.7 percent, a level still well above the regional convergence ceiling of 3 percent;
- An external current account deficit expected to widen to 11.8 percent of GDP, reflecting a rise in imports, including for investments to renovate power plants; and
- A decline in the primary budget deficit from 4.1 percent of GDP to 3.7 percent of GDP.

## C. Transitional Public Finance Program

**11. While under pressure in 2015, the public finance program is set in the context of a return to medium-term sustainability.** The sharp economic contraction in 2013 and the slow restoration of security since the beginning of the present transition continue to weigh heavily on our public finances. Moreover, the restoration of the state's functions is also moving slowly. In this context, while our 2015 budget continues to meet urgent requirements, it is also paving the way for the return to policies that support growth and poverty reduction in a context of renewed medium-term fiscal sustainability.

**12. We will continue to implement measures to improve domestic revenue collection and to achieve our annual objective.** In light of our performance at end-June 2015, our tax revenue objective for end-2015 remains unchanged at CFAF 59.2 billion and is predicated on: (i) steady implementation of measures incorporated in the budget, covering income and property taxes (strengthened fiscal controls and collection of arrears), taxes on goods and services (elimination of compensation procedures, effective collection of VAT and petroleum product taxation), and on international trade (reduced releases of restrictions); and (ii) linkage of the automated system for customs data—ASYCUDA—between the single import declaration facility (*guichet unique*) and the Cameroonian and Central African customs services, and improved pre-settlement operations in Douala, as well as more rigorous management of tax and customs exemptions. At the same time, the nontax revenue objective is unchanged at CFAF 5.1 billion.

**13. We will continue to rigorously keep spending under control.** Primary current expenditure will be limited to CFAF 99.2 billion, including an unchanged wage bill of CFAF 50 billion as a result of continued reform of the civil service roster.<sup>7</sup> However, domestically-financed capital expenditure will be reduced to CFAF 3.7 billion, to bring it in line with the existing weak administrative

<sup>7</sup> Since the beginning of the transition, we took steps to reduce the wage bill by bringing the civil service work force under control. The first and second phases of the reforms undertaken with the World Bank and UNDP aimed at taking stock of the work force and cleaning the payroll register. This helped reduce staff (excluding defense personnel) from 22,592 to 21,463 in August 2015, including newly-recruited staff and save CFAF 2.8 billion. The third phase will seek to secure the final register, clarify recruitment procedures, implement management and training tools for human resource managers using computer applications adapted to the C.A.R., and assess performance. At the same time, we are cleaning the military roster and securing the register through the issuance of biometric professional cards.

implementation capacity. Simultaneously, externally-financed capital spending is reduced to CFAF 47.5 billion, from CFAF 93.9 billion, due to low project aid disbursements. Accordingly, total capital expenditure, all financing combined, is projected at CFAF 51.2 billion (5.4 percent of GDP).

**14. The financing gap will be covered.** We are committed to reach our annual revenue objective, reduce total expenditure, remain current on our rising domestic and external debt obligations, and settle domestic payment arrears, with a view to limiting financing requirements to CFAF 56.2 billion. We do not have external payment arrears. To date, our partners have committed to provide CFAF 50 billion, in the form of grants (CFAF 36.4 billion), debt consolidation (CFAF 9.1 billion), and loans (CFAF 4.5 billion in financial support from the IMF). The residual gap of CFAF 6.2 billion is expected to be covered by the requested disbursement under the RCF for CFAF 6.2 billion (15 percent of quota).

## D. Structural Reforms and Restoration of Fiscal Sustainability

**15. We will continue to implement the structural reforms envisaged in our program.** We place priority on reforms seeking to increase domestic revenue, rationalize public expenditure, strengthen cash management, and upgrade our macroeconomic statistics. We are aware of the importance of strengthening ownership of reforms with technical assistance from the partners.

**16. We envisage the following reforms for the rest of 2015:**

- **Strengthen cash management and continue to calibrate expenditure with available resources.** We will continue our efforts to implement a realistic monthly treasury cash management plan that adjusts carefully prioritized expenditure to available resources. Accordingly, we will avoid accumulating domestic and external payment arrears (*permanent indicative benchmarks*). The treasury committee will operate with participation of donors to promote transparency in public management and ensure that committed aid is disbursed in a timely manner;
- **Finalize an overall action plan designed to mobilize more domestic revenue.** This medium-term plan includes a set of measures covering tax policy and revenue administration to increase revenue during the period 2016-2018 (*prior action for the request for a new disbursement under the RCF*). In the interim, the budget for 2015 already contains some revenue measures, and their implementation should make it possible to reach the tax revenue target of CFAF 59.2 billion;
- **Adopt a comprehensive action plan to ensure sound, transparent management of tax and customs duty exemptions.** This medium-term plan outlines sets of concrete measures to limit tax and customs exemptions for the period 2016-18 (*prior action for the request for a new disbursement under the RCF*). The budget for 2015 has incorporated some measures aimed at reducing tax and customs exemptions;

- **Improve revenue collection and accounting.** In the short term, we are implementing the measures integrated into the 2015 budget as well as the banking convention binding us to banks, including the daily transfer of revenue collected and its breakdown by type of tax, and the banning of automated debit procedure. We are also strengthening tax and customs supervision and collection of arrears. In addition, we will ensure that the sale of diamond stocks accumulated by diamond collectors—a measure made possible by the partial lifting of the suspension by the Kimberley process—will generate additional tax revenue;
- **Rationalize wage expenditure.** Control of the civil service wage bill through payroll reform was completed with the second phase of our reform project (*prior action for the request for a new disbursement under the RCF*). We will also optimize use of earmarked financing from the World Bank and UNDP, lodged in an escrow account opened with the BEAC for the purpose of making timely payments of civil service and military wages;
- **Launch and strengthen the operations of the Central Accounting Office of Treasury (ACCT).** The treasurer and his deputy are now hired and working. Under the authority of the Director General of Treasury and Public Accounting, they will strengthen the treasury function, centralize all accounting operations, and prepare public reports on budget execution;
- **Strengthen coordination.** The institutional framework in place involves the full participation of the donors. We intend to continue coordination within our framework to assert the priorities of our emergency program, strengthen ownership of our program, improve financial governance, and facilitate the conclusion of the emergency phase.

**17. In the coming months, we will focus on additional reforms seeking to:**

- **Develop a new revenue model beginning in 2016 based on the action plan that will be finalized at end-2015** (*measure proposed by the government at end-December 2015*). This measure will make it possible to introduce and implement a rational and simplified taxation in the forestry, mining, petroleum, and telecommunication sectors. For the petroleum sector, as a first step, we will reform the price structure for domestic petroleum products and base it on Platts international prices with a view to generating tax revenue. In the area of telecommunications, we intend to intensify the current tax collection efforts. We will also explore the possibility of extending user fees collection to consumers currently exempted from such fees, including staff in the United Nations System, the Agency for Air Navigation Safety in Africa and Madagascar (ASECNA), the Bank of Central African States (BEAC), and foreign missions. In the forestry sector, the aim will be to improve efficiency in revenue operations through better monitoring of production and exports from the national territory, the shift to a list of transaction prices reflecting world price trends for

domestic valuation purposes, and effective collection of property fees. Lastly, we will introduce reforms in the diamond sector with a view to rationalizing mining taxation, control the distribution systems, reduce fraud, increase certification activities, and generate more tax revenue.

- **Restore normal budget procedures.** We will adopt an action plan to restore normal budget expenditure procedures (commitment, order, computation, and payment) (*measure proposed by the government at end-September 2015*). This plan requires: (i) strict observance of the rules governing emergency expenditure (by limiting emergency spending outside budget procedures to 5 percent of non-wage and debt service expenditure and regularizing it within the next three months) and prohibition of extra-budgetary commitments; (ii) restoration of the treasury single account to lodge all government revenue, including proceeds collected by ministries, banks, decentralized agencies, and the petroleum sector; (iii) full operational status of the budget and accounting modules of the GESCO government financial management information system; and (iv) effective launch of ACCT operations.
- **Lay the groundwork for a medium-term budget and management framework.** Against this backdrop, we envisage creating our own macro fiscal capacity, establishing multiyear commitment plans, and introducing contracting plans.

## E. Further Structural Reforms

**18. We need to strengthen our business framework.** We have undertaken reforms to modernize and update the legal framework in the main economic sectors. Two laws are being prepared to boost telecommunication activity, in light of recent technological developments. In the same vein, we will update the mining codes and the regulations governing activities in the forestry area. Lastly, we are in the process of updating the investment code, including tax incentives, fees to create a new enterprise, and minimum investment requirements.

## F. Debt Management and Sustainability

**19. Strengthen debt management.** As a result of C.A.R.'s classification as a country at high risk of debt distress, we will seek financing in the form of grants and new loans on highly concessional terms (*continuous indicative benchmark*). We will continue our efforts to improve public debt management by installing the new DFMAS 6.0 debt management and analysis system. We will also use more stringent procedures to ensure that any new financial commitments are undertaken only with the signature of the Minister of Finance.

## G. Social Policies

**20. The transitional government's social policy is based on strengthening civil defense, restoring and reorganizing government control throughout the country, and resuming**



**activities in essential social sectors.** The aim is to strengthen public resilience. The major policy thrusts are:

- Providing assistance to internally displaced persons and refugees to ensure that socioeconomic activities effectively resume throughout the country;
- Restoration of social cohesion and reduction of tensions in the community to support local economic recovery and create temporary jobs, primarily for young people;
- Country-wide redeployment and government reorganization to support the economic rebound;
- Access to drinking water, sanitation, and hygiene;
- Strengthening the education sector to ensure overall education coverage and complete high-quality education, including access to all levels of education for all children of both genders, regardless of where they live;
- Giving new impetus to the health system; and
- Strengthening the fight against HIV/AIDS.

## MEDIUM-TERM ISSUES

**21. We are undertaking an assessment of the policies designed to promote medium-term development and to restore budget sustainability.** With the transition coming to a close, we must lay the groundwork for a new medium-term development strategy to create a structured economy and ensure sustained longer-term external assistance. The aim is to avoid potential imbalances that a sudden withdrawal of aid might create over time. This could hinder the ongoing efforts to further strengthen institutions in the post-transition phase and impede the establishment of a comprehensive economic and social development policy. Our assessment takes into account the three pillars identified in the new roadmap for the government's emergency program (restoration of security, re-establishment of government throughout the country, and economic recovery). Specifically, it aims at structuring the third pillar, which is essential in finding a sustainable solution to the crisis. Overall, the medium-term strategy calls for the following:

- Development of food and export cash crops;
- Promotion of agro-forestry downstream from forest exploitation;
- Revision of the mining code and contracts, to make this activity more attractive to large operators;
- Repair and rehabilitation of rural roads and tracks, and ports;

- Expansion of infrastructure for electricity production and transport; and
- Support for the private sector, primarily through an improved business climate.

**22. A coherent framework will be established to promote global development.**

Once the priorities are defined, we will establish a medium-term budget framework. This framework will present realistic domestic and external financing requirements and will reflect debt constraints.

**23. Support from donors and development partners remains vital.** Our strategy will be submitted to the donors for assessment at a round table meeting. The aim will be to re-establish a solid medium-term development policy, which is essential for finding a sustainable solution to the crisis afflicting the country.

## TECHNICAL ASSISTANCE AND STATISTICS

**24. Technical assistance remains of paramount importance.** We will continue to make effective use of the current technical assistance that has enabled us to restore basic state functions, improve treasury management flows, intensify mobilization of tax and customs revenue, rationalize and stabilize the payroll, and improve debt management. Rebuilding our capacity has enabled us to implement our emergency program and establish a track record. As we turn our attention to the medium term, we will require additional technical assistance in the areas of forestry and mining taxation, balance of payments and national accounts data, and public financial management. Accordingly, we are requesting IMF and AFRITAC-Center technical assistance in these areas. We will also apply for assistance from our other partners to help meet our needs.

**25. We will continue to improve the quality of our macroeconomic statistics.**

The macroeconomic and budget framework committee is focusing on the development and improvement of indicators, compiled in a timely manner for macroeconomic and social policy making and monitoring policy execution. In this connection, we would like support from our partners in updating the consumer price index, improving the quality of our national accounts and budget data, and developing social indicators.

**Table 1. Central African Republic: Authorities' Indicative Targets, 2015**

(CFAF billions; cumulative from beginning of the year; ceilings, unless otherwise indicated)

	End-March 2015		End-June 2015		End-September 2015	End-December 2015
	Projections	Prel.	Projections	Prel.	Projections	Projections
	(CFAF billions; cumulative from beginning of the year; ceilings, unless otherwise indicated)					
Indicative targets						
Floor on total domestic government revenue <sup>1</sup>	14.3	14.6	30.5	30.3	44.6	64.3
Floor on domestic primary fiscal balance <sup>2</sup>	-11.4	-2.6	-18.1	-7.2	-30.7	-34.9
New nonconcessional external debt contracted or guaranteed by the government <sup>3,4</sup>	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation of new external payments arrears <sup>4</sup>	0.0	0.0	0.0	0.0	0.0	0.0
Floor on the reduction in domestic payments arrears	0.0	2.6	4.6	7.9	8.0	8.0
Ceiling on accumulation of new domestic payment arrears	0.0	0.0	0.0	0.0	0.0	0.0

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

<sup>1</sup> Domestic revenue, which excludes foreign grants and divestiture receipts (see the TMU for more details).

<sup>2</sup> 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.

<sup>3</sup> Contracted or guaranteed by the government (see the TMU).

<sup>4</sup> These objectives will be monitored continuously.

**Table 2. Central African Republic: Proposed Government Policy Actions, 2015**

Measures	Timeline	Macroeconomic Rationale	Status
Completion of a medium-term action plan that will include measures covering tax policy and revenue administration to increase revenue during 2016-2018.	<b>Prior Action</b>	Improve revenue intake.	Prior action to Board presentation of third RCF request.
Adoption of a medium-term action plan including specific measures to limit tax and customs exemptions during 2016-2018.	<b>Prior Action</b>	Improve tax collection and increase domestic resources.	Prior action to Board presentation of third RCF request.
Complete the cleaning of the civil service roster and the payroll roster with a view to reduce staffing and the wage bill	<b>Prior Action</b>	Rationalize the civil service roster to help contain the wage bill.	Prior action to Board presentation of third RCF request.
Adopt an action plan to return to normal budget spending procedures, including the reestablishment of the Treasury Single Account.	Policy Measure  (End-Sept. 2015)	Strengthen budget procedures and enhance financial governance.	
Adopt an action plan to strengthen revenue intake in the forestry, mining, and telecommunications sector.	Policy Measure  (End-Dec. 2015)	Improve revenue intake.	

## Attachment II. Technical Memorandum of Understanding

### Introduction

**1. This Technical Memorandum of Understanding (TMU) defines the general policy indicators and benchmarks established by the authorities.** It also sets out the frequency and deadlines for data reporting to the staff of the International Monetary Fund (IMF) to monitor economic and financial trends. Unless otherwise provided, all indicative benchmarks will be assessed on the basis of cumulative flows from January 1, 2015.

### A. Program Assumptions

**2. Exchange rates.** For this TMU, the value of transactions denominated in foreign exchange will be converted into CFA francs (CFAF), the national currency of Central African Republic (C.A.R.), on the basis of the exchange rates used to prepare the RCF. The key exchange rates are provided below.<sup>1</sup>

CFAF/US\$:	587.9
CFAF/Euro:	656
CFAF/SDR:	750.1

**3. Oil price assumption.** The program assumes an average price per barrel of oil of US\$51.62 for 2015.

<sup>1</sup> General assumptions, *World Economic Outlook*, August 2015.

## B. Definitions

4. Unless otherwise indicated, **Government** is understood to mean the central government of the Central African Republic 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 table of government financial operations (*Tableau des opérations financières de l'Etat*—TOFE).

5. **Definition of debt.** The definition of debt is set out in point 9 of Decision 6230-(79/140) of the Executive Board of the IMF, as amended on December 5, 2014 by Decision No. 15688-(14/107) of the Executive Board:

- (a) **Debt** is understood to mean a current, i.e. non-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 debtor 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) Supplier credits, i.e. contracts under which the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or the 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 guidelines, 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. Failure to make payment in connection with 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 arranged or serviced in a currency other than the CFA franc (*Coopération Financière en Afrique—CFAF*).

**6. Guaranteed debt.** A government debt guarantee is understood to be an explicit legal obligation to service a debt in the event of nonpayment by the borrower (through settlements in cash or in kind).

**7. Concessional debt.** A debt is considered concessional if it includes a grant element of at least 35 percent, and when the net present value (NPV) of the debt is calculated with a 5 percent discount rate.

## C. Government's Indicative targets

### Floor for total government domestic revenue

**8. Government domestic revenue:** only revenue on a cash basis (deriving from tax and non-tax sources) will be reflected in the TOFE.

### Floor for the domestic primary fiscal balance

**9. The domestic primary fiscal balance,** on a commitment basis, is defined as the difference between domestic revenue and expenditure of the government, excluding interest payments and externally-financed capital expenditure.

### New non concessional external debt contracted or guaranteed by the government

**10. The government will not contract or guarantee any non-concessional loans.** Loans to fund projects should not exacerbate debt vulnerabilities that are highlighted in the debt sustainability analysis prepared jointly by the World Bank and IMF staff.

### Non-accumulation of new external payment arrears by the government

**11. External payment arrears** are defined as payments for the external debt of the government or guaranteed by the government that are due and not paid by the government at the maturity specified in the contract. The definitions of debt and external debt indicated in paragraph 5 and of government indicated in paragraph 4 apply in this case.

**12. 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 applies on a continuous basis.

### Non-accumulation of new domestic payment arrears by the government

**13. The government undertakes not to accumulate domestic payment arrears.** This indicative target applies on a continuous basis.

## D. Prior actions

Completion of a medium-term action plan that will include measures covering tax policy, revenue administration to increase revenue during 2016-2018

### **14. Comprehensive set of measures should be proposed to increase revenue during the period 2016-2018.**

Adoption of a medium-term action plan including specific measures to limit tax and customs exemptions during 2016-2018

### **15. Measures should be proposed to manage statutory exemptions and reduce any additional exemptions granted, as well as those provided by law.**

Complete the cleaning of the civil service roster and the payroll roster with a view to reduce staffing and the wage bill

### **16. Measures to identify “ghost” workers and regularize the status of staff should be proposed to establish a clean staff roster and reduce the level of the wage bill.**

## E. Measures Proposed by the Government

**Adopt an action plan to return to normal budget spending procedures, including the reestablishment of the Treasury Single Account (TSA).**

**17. A plan should be adopted to restore normal budget spending procedures (commitment, order, computation, and payment),** including: (i) strict observance of measures in connection with emergency expenditure (budget payment and cash payment orders limited to 5 percent of expenditure not including wages and debt service) and non-use of extra budgetary commitments; (ii) restoration of the treasury single account to include all revenue collected by some sectoral ministries, commercial banks, public agencies, and the petroleum product distribution sector; (iii) full implementation of the government financial management information system (GESCO); and (iv) the effective launch of the ACCT operations.

**Adopt an action plan to strengthen revenue collection in the forestry, mining, and telecommunication sectors.**

**18. The fiscal provisions governing taxation of the forestry, mining, and telecommunication sectors should be reviewed and reformed to strengthen revenue collection.** The reforms could cover the legal framework, the tax base and the rates.

## F. Data Reporting to the IMF

**19. Quantitative data on the indicative targets will be reported to the IMF staff with the frequency set out in Table III.1.** In addition, any changes to the data will be reported as soon as possible. The government undertakes to consult the IMF staff on any information or data not specifically discussed in this TMU that are relevant in assessment and monitoring to determine whether the objectives of our program have been met.



**Table III.1. Central African Republic—Data Reporting to the IMF under RCF Financing**

Description of the data	Deadline
Quarterly report assessing the quantitative indicators and structural measures (Table 1.2. of the MEFP), along with supporting documentation	Within four weeks after the end of each quarter.
Monetary survey, monthly accounts of the central bank and commercial banks	Within four weeks after the end of each month
Table of monthly cash flow operations	Within ten days after the end of each month
Table of government financial operations (TOFE)	Within four weeks after the end of each month
Monthly total domestic payments arrears on goods and services and wages, including unpaid pensions and bonuses	Within four weeks after the end of each month
End-of-period stock of external debt	Within four weeks after the end of each month
Breakdown of expenditure included in the TOFE (goods and services, wages, interest, etc.)	Within four weeks after the end of each quarter
Summary table of real expenditure in the priority sectors, specifically health, education, and security	Within four weeks after the end of each quarter
Breakdown of current and capital expenditure, both domestically and externally-financed	Within four weeks after the end of each quarter
Breakdown of revenue by institution and economic classification	Within four weeks after the end of each quarter
Revenue and expenditure offset against each other without cash settlements (by type of expenditure and revenue)	Within four weeks after the end of each quarter
Breakdown of debt service and external arrears, in particular by interest and principal and by main creditors	Within four weeks after the end of each month
Amount of new concessional and non-concessional external debt contracted or guaranteed by the government	Within four weeks after the end of each month
Actual disbursements for projects and programs benefiting from foreign financial aid and external debt relief granted by external creditors (including the date, amount, and creditor)	Within four weeks after the end of each month



# CENTRAL AFRICAN REPUBLIC

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

September 2, 2015

Approved By  
**Andrea Richter Hume (AFR)**  
**and Bob Traa (IMF) and**  
**Auguste Tano Kouamé, on**  
**behalf of John Panzer (IDA)**

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

*This debt sustainability analysis (DSA) updates the joint IMF/IDA DSA from May 1, 2014. Since then, and against the back of highly challenging circumstances, the C.A.R. authorities have made progress in improving macroeconomic conditions and headway in the structural area, with significant budget support and targeted technical assistance from the donor community. Further challenges lie ahead, including bringing the debt situation back under control, as the updated DSA confirms that C.A.R. remains at a high risk of debt distress. It also underscores the need for prudent fiscal and debt policies, including only highly concessional debt financing as well as structural policies.*

## BACKGROUND

**26. C.A.R.'s external public debt remained stable in 2014.** At end-2014, C.A.R.'s public and publicly-guaranteed external (PPGE) debt stood at CFAF 259.5 billion (Text Table 1). About 88 percent of C.A.R.'s outstanding PPGE debt is owed to bilateral creditors, with multilateral creditors accounting for the remainder. External debt was 64 percent of total debt. The ratio of PPGE to GDP rose to 33.4 percent at end-2013, from 20.3 percent in 2012, following the 2013 political and security crisis.<sup>21</sup> However, it fell to 30.5 percent of GDP in 2014.

**27. In 2014, C.A.R.'s total public debt to GDP ratio declined slightly from 2013, mainly reflecting budget support by the international community.**<sup>22</sup> At end-2014, C.A.R.'s public and publicly-guaranteed debt (PPG) stood at CFAF 405.6 billion (47.6 percent of GDP), of which about a third was domestic. The PPG-to-GDP ratio declined by 4.7 percentage points from 2013, to 47.6 percent at end-2014.

**Text Table 1. Central African Republic: Total Debt Stock, Central Government, 2011–14**

	2011	2012	2013	2014		2011	2012	2013	2014
	(CFAF billions)			(Percent of total)		(Percent of GDP)			
Total	341.1	366.4	397.3	405.6	100.0	32.9	33.1	52.3	47.6
External debt	203.4	224.8	253.5	259.5	64.0	19.6	20.3	33.4	30.5
Multilateral	19.8	27.9	28.3	32.3	8.0	1.9	2.5	3.7	3.8
Bilateral	183.6	197.0	225.2	227.2	56.0	17.7	17.8	29.6	26.7
Domestic debt <sup>1</sup>	137.7	141.6	143.8	146.1	36.0	13.3	12.8	18.9	17.2

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

<sup>1</sup> Domestic debt includes securities issued in the CEMAC market.

## UNDERLYING DSA ASSUMPTIONS

**28. The baseline macroeconomic assumptions for the current DSA are consistent with the macroeconomic framework underlying the proposed RCF arrangement.** In the short- to medium-term, they are mainly based on the assumption of improving political and security stability and continued donor support. In this context, staff is projecting growth rates averaging 5.7 percent for the medium term. This will partly offset the sharp contraction of 2013. However, in the long run, growth rates are expected to return to an average of 3.5 percent, lower than in the previous DSA, reflecting more realistic assumptions

<sup>21</sup> About 10.3 percentage points of the sharp increase are attributable to the contraction of GDP (by -36 percent) in 2013 (see Table 1).

<sup>22</sup> About 0.3 percentage point of the reduction is due to the marginal increase in real GDP (1 percent) in 2014 (see Table 1).

on macroeconomic development and the business environment. The primary fiscal balance recorded a surplus of 3.6 percent of GDP in 2014, compared with a deficit of 8.6 percent of GDP projected in the previous DSA. This improvement is mainly a result of strong budget support from the international community, prudent expenditure, and low investment execution capacity (Text Table 2 and Box 1).

### Box 1. Central African Republic: Macroeconomic Assumptions for 2015–34

**Medium-term (2015–19)** projections are consistent with the macroeconomic framework of the proposed RCF arrangement which assumes relatively stronger growth than previous DSA, predicated on improving security and political stability. **Long-term (2020–34)** projections are revised to reflect more realistic assumptions on macroeconomic development and the business environment.

**Real GDP growth** is expected to recover to 5.5 percent in 2015 and remain buoyant in 2016 and 2017, resulting from the return of security, external support for investment projects, and structural reforms. This growth will be mainly driven by a rebound in agriculture, livestock, construction, and trade as well as the gradual resumption of mining (following the re-certification by the Kimberley Process Certification Scheme) and forestry activities. The impact of development projects on growth is also reflected in the projections. Accordingly, GDP growth is aimed to average at least 5.7 percent over the period 2015–2019, and is expected to contribute to the medium-term catch up from the contraction recorded during the 2013 crisis. The long-term growth rates are revised down to 3.5 percent, reflecting more realistic assumptions on economic activities.

**Average inflation** (measured by the GDP deflator in US dollar terms) was 11.1 percent in 2014, reflecting the impact of the 2013 crisis, but it is expected to normalize rapidly and stabilize at 3.3 percent on average over the medium term, basically in line with the CEMAC convergence criteria (3 percent, in the long run).

**The primary fiscal balance** recorded a surplus of 3.6 percent of GDP in 2014, reflecting budget support from the international community, prudent expenditure, and low investment execution capacity. A deficit of 3 percent of GDP is projected for 2015. The deficit is expected to steadily come down to reach an average of around 1.5 percent of GDP in the medium term, and then gradually shift into a surplus of 0.3 percent of GDP over the long run, reflecting continued prudent fiscal policies and buoyant activities. Government revenue is projected to progressively rise to 17.6 percent of GDP, and primary expenditures are expected to reach 17.3 percent of GDP in 2034, mainly on account of higher capital spending.

**The non-interest current account deficit** is projected to reach 10.4 percent of GDP in 2015 and to gradually decline in the medium to long term. Based on recent information from the authorities, exports are expected to pick up, resulting from the planned recovery of mining, timber and other forestry activities, boosted by improved security conditions and the partial lifting of the diamond export ban. Nevertheless, exports in percent of GDP remain broadly unchanged from their pre-conflict level. The rising non-interest current deficit during 2015–17 is partly due to the increase of investment-related imports needed to execute projects.

**External assistance:** Grant-equivalent financing is about 8.2 percent of GDP in 2015 and is assumed at about 2.4 percent of GDP in the long run, accounting for 89 percent of external assistance.

**Text Table 2. Central African Republic: Selected Indicators, 2013–18**  
(Percent)

	2013	2014	2015	2016	2017	2018
				Proj.		
Real GDP growth						
Old DSA	-36.0	1.5	5.3	5.7	5.7	5.8
New DSA	-36.0	1.0	5.5	5.7	5.9	6.0
GDP deflator in US dollar terms						
Old DSA	10.7	8.7	6.4	4.1	3.8	3.7
New DSA	10.8	11.1	-10.8	7.2	7.5	6.7
Primary fiscal balance						
Old DSA	-6.1	-8.6	1.9	1.1	0.6	0.3
New DSA	-5.7	3.6	-3.0	-1.4	-0.7	-0.4
Exports of goods and services growth						
Old DSA	-45.7	3.2	12.7	9.5	8.6	9.1
New DSA	-19.1	-3.0	-7.2	17.6	21.5	9.4
Non-interest Current Account Deficit						
Old DSA	10.5	14.2	13.7	5.6	5.8	5.3
New DSA	2.7	5.7	10.3	9.6	7.3	7.4

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

## EXTERNAL DEBT SUSTAINABILITY RESULTS

**29. Under the baseline scenario, four indicators breach the threshold.** The present value (PV) of debt-to-exports ratio and the PV of debt-to-revenue ratio are projected to stay above the policy threshold until 2022 and 2018, respectively. The debt service-to-export ratio breaches the threshold until 2016 and the debt service-to-revenue ratio breaches the threshold during 2014–17. These results are mostly due to C.A.R.’s narrow export base and the slow recovery of exports and government revenues from the 2013 crisis. In contrast, the PV of debt-to-GDP ratio is expected to remain below the threshold throughout the projection period (Figure 1 and Text Table 3). These results are similar to those of the 2014 DSA. However, considering C.A.R. as a post-HIPC debt relief country and in view of its current fragile post-conflict situation, this DSA assumes that the authorities will strengthen their debt management capacities and continue to seek maximum concessionality for the external resources they need to meet their external financing requirements. This, together with the improved macroeconomic management, will lead to improvements in the debt service-to-exports, debt-service-to-revenues, and PV of debt-to revenue ratios in the long run.

**30. The current DSA results reaffirm the findings of the 2014 DSA, namely that C.A.R.’s risk of debt distress is high.** In the most extreme scenario, all indicators breach the threshold. In particular, the PV of debt-to-exports ratio remains above the policy threshold under the extreme scenario for a significant period, and deteriorates in the historical scenario. And the PV of debt-to-revenue ratio and debt service-to-revenue ratio stay above the policy threshold under the extreme scenario in the medium term. Analysis of the impact of additional shocks indicates the vulnerabilities already contained in this DSA. Compared to the previous DSA, all indicators are further aggravated under the stress test scenarios.

**Text Table 3. Central African Republic: Policy-Based Thresholds and External Debt Burden indicators**

	Thresholds 1/	Baseline Scenario Ratios	
		2014	2015-34 Peak
PV of PPG external debt in percent of			
GDP	30	22.4	23.7
Exports	100	181.3	194.5
Revenue	200	455.5	346.0
PPG external debt service in percent of			
Exports	15	21.2	17.5
Revenue	18	53.3	31.2

Sources: C.A.R. authorities; and IMF and World Bank estimates.

1/ Policy-based thresholds as defined in the LIC DSA framework for a weak policy performer based on the 3-year average CPIA score.

## PUBLIC DEBT SUSTAINABILITY RESULTS

**31. Compared to the previous DSA, public debt indicators under the baseline scenario barely improved.** On the positive side, the PV of public debt-to-GDP ratios decline in 2014–15. Unlike in the previous DSA, the ratios now remain slightly below the 40 percent benchmark throughout 2014–34, following a declining trend as macroeconomic conditions improve. However, the PV of debt-to-revenue ratio and the debt service to revenue ratio are projected to be much higher than the previous DSA in the medium term, reflecting a slower-than-projected recovery of government revenues (see Text Table 4). This reflected lower-than-expected economic activity, associated with the continued insecurity, two inoperative regional tax and customs directorates, and imports consisting mainly of food products subject to low customs duties.

**Text Table 4. Central African Republic: Comparative Debt Ratios, 2013–18**  
(Percent)

	2013	2014	2015	2016	2017	2018
				Proj.		
PV of debt to GDP ratio						
Old DSA	30.4	44.2	38.1	31.6	28.3	25.6
New DSA	41.3	39.5	39.6	33.7	31.3	29.5
PV of debt to revenue ratio						
Old DSA	361.3	474.8	169.2	135.6	118.4	105.9
New DSA	490.9	253.6	345.3	273.8	266.4	274.4
Debt service to revenue ratio						
Old DSA	22.0	21.1	11.9	11.9	9.4	10.2
New DSA	46.0	21.2	26.8	24.9	19.5	21.8
Revenue and grants (in percent of GDP)						
Old DSA	8.4	9.3	22.5	23.3	23.9	24.2
New DSA	8.4	15.6	11.5	12.3	11.8	10.7

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

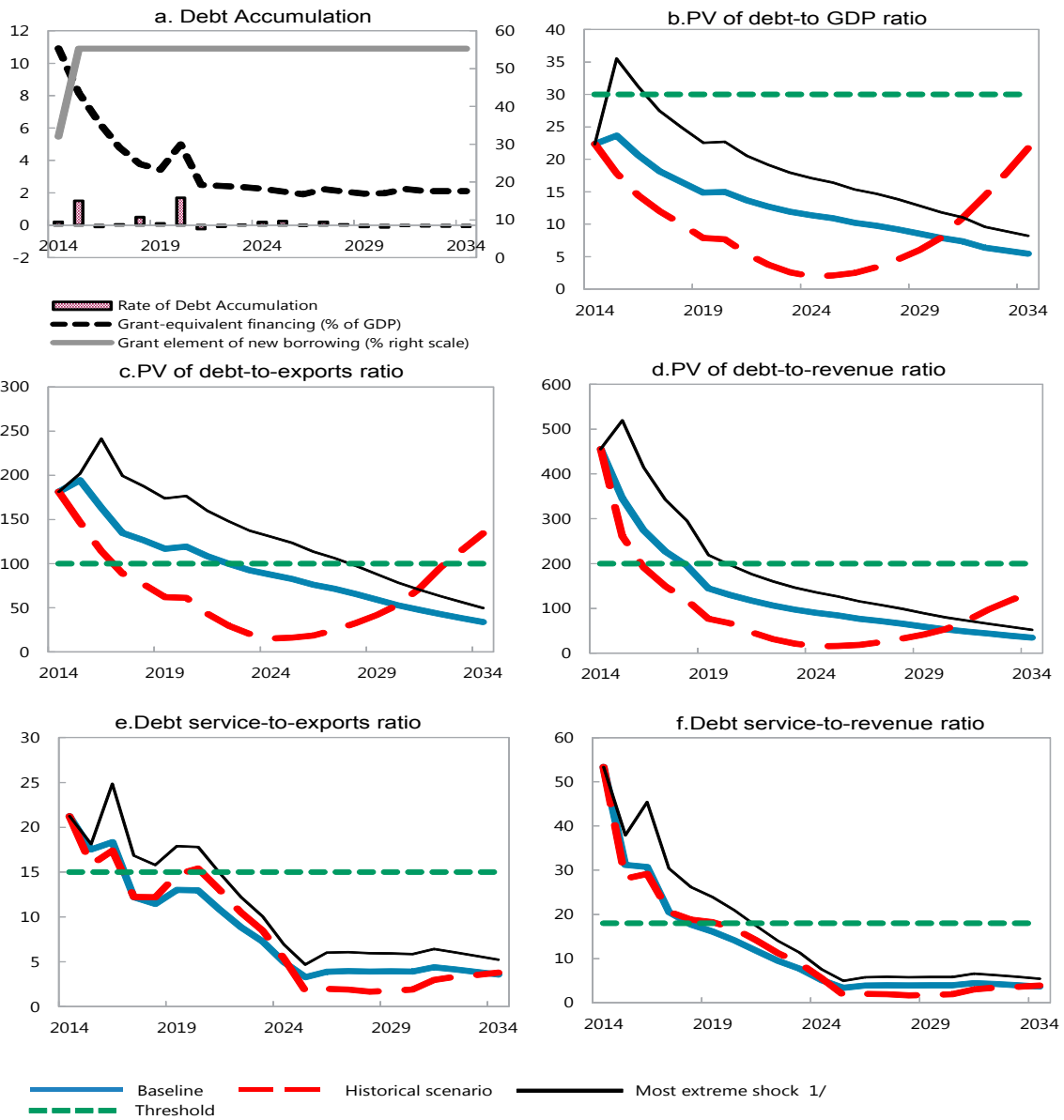
**32. The alternative scenarios suggest that the baseline is very sensitive to the growth assumptions.** The most extreme shock—a one-standard deviation drop in the growth rate for 2015 and 2016—will substantially increase the public debt and lead to a breach of C.A.R.’s benchmark for the PV of debt-to-GDP ratio (Figure 2 and Table 2). The PV of debt-to-revenue ratio is projected to rise under the most extreme shock, and debt service-to-revenue ratio will also increase significantly in the medium term.

## CONCLUSION

**33. C.A.R.’s debt remains at high risk of debt distress.** The debt sustainability indicator has not improved since the 2014 DSA. Although the PV of public debt-to-GDP ratio stays below the benchmark, almost all the external debt indicators deteriorate. In particular, the PV of external debt-to-exports ratio remains for a significant period above the policy threshold under the extreme scenario and deteriorates in the historical scenario.

**34. C.A.R. should pursue a debt strategy limited to grant and highly concessional financing.** The high-risk classification and the vulnerabilities evidenced by the alternative and stress test scenarios underline the importance of increasing exports from the traditional forestry and diamond sectors, while taking steps to widen the export base. At the same time, it is essential for C.A.R. to steadfastly pursue fiscal reforms and strengthen macroeconomic stability through sound policies, step up domestic revenue mobilization, and restrain expenditures. Meanwhile, it is critical for the authorities to intensify their efforts to substantially improve public debt management, with assistance from the Regional Technical Assistance Center for Central Africa, and push for funding and putting in place Version 6.0 of the Debt Management and Financial Analysis System (DMFAS) software. Also, more stringent procedures should be put in place to ensure that new financial commitments are undertaken only with the approval and signature of the minister of finance. Finally, to the maximum extent possible, C.A.R. should rely on grant financing, considering its fragile post-conflict situation. Beyond that, staff encourages the authorities to continue to seek maximum concessionality in their external financing.

**Figure 1. Central African Republic: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2014–34 <sup>1/</sup>**

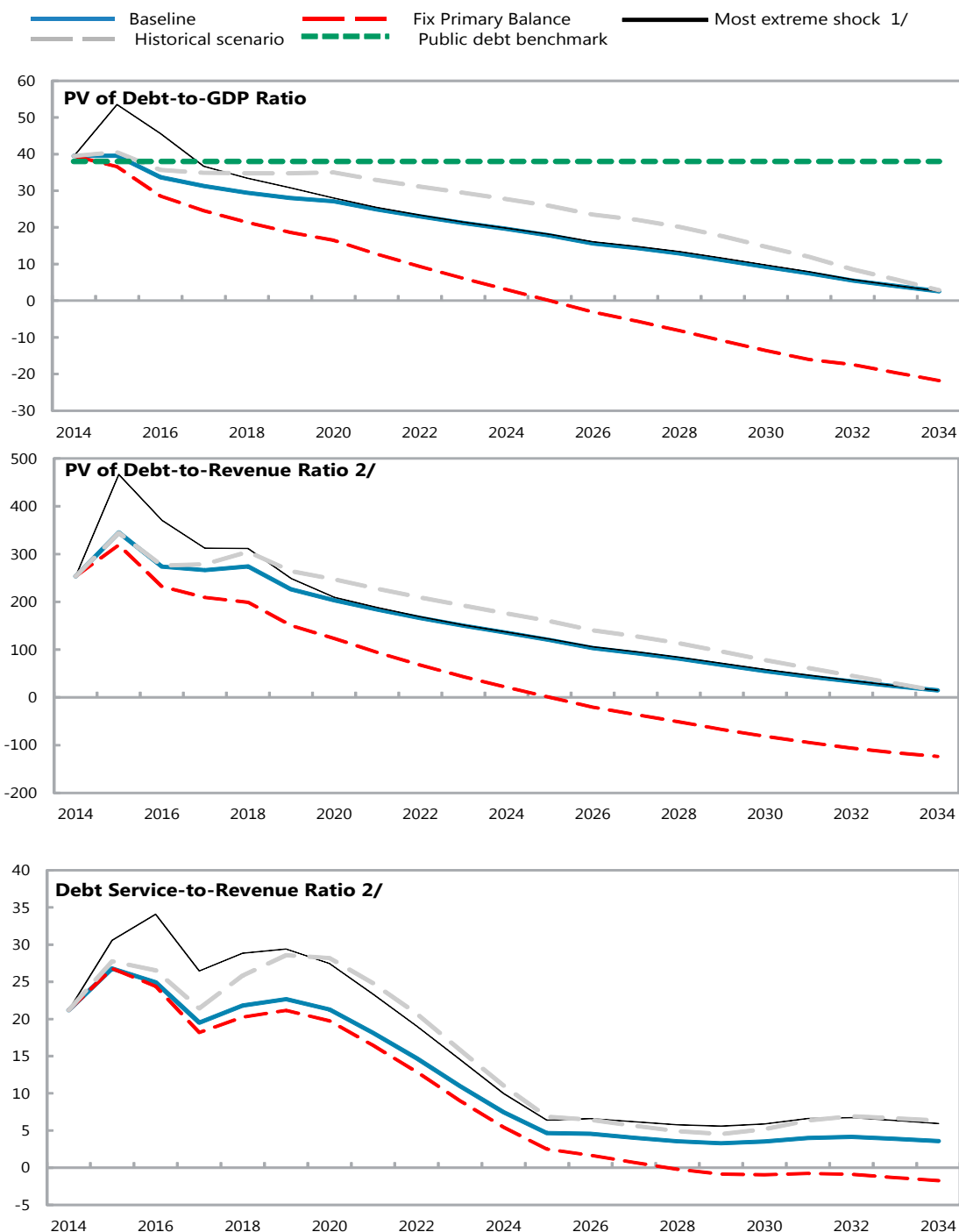


Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a Growth shock



**Figure 2. Central African Republic: Indicators of Public Debt Under Alternative Scenarios, 2014–34 <sup>1/</sup>**



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024.

2/ Revenues are defined inclusive of grants.

**Table 1. Central African Republic: External Debt Sustainability Framework, Baseline Scenario, 2011–34<sup>1/</sup>**  
(Percent of GDP, unless otherwise indicated)

	Actual				Historical Average <sup>6/</sup>	Standard Deviation <sup>6/</sup>	Projections					2015-2019 Average		2020-2034 Average	
	2011	2012	2013	2014			2015	2016	2017	2018	2019	2024	2034		
<b>External debt (nominal) 1/</b>	<b>19.6</b>	<b>20.3</b>	<b>33.4</b>	<b>36.3</b>			<b>39.2</b>	<b>41.1</b>	<b>51.1</b>	<b>51.4</b>	<b>52.2</b>		<b>48.0</b>	<b>13.1</b>	
<i>of which: public and publicly guaranteed (PPG)</i>	19.6	20.3	33.4	30.5			26.8	24.4	32.0	30.3	29.1		22.4	10.3	
Change in external debt	-0.2	0.7	13.1	2.9			2.9	2.0	10.0	0.3	0.9		-1.0	-4.5	
Identified net debt-creating flows	4.0	1.6	11.2	2.3			9.4	7.7	4.2	3.8	3.8		0.7	-2.4	
<b>Non-interest current account deficit</b>	<b>7.3</b>	<b>4.5</b>	<b>2.7</b>	<b>5.7</b>	<b>5.7</b>	<b>2.9</b>	<b>10.3</b>	<b>9.6</b>	<b>7.3</b>	<b>7.4</b>	<b>6.6</b>		<b>4.3</b>	<b>0.1</b>	3.0
Deficit in balance of goods and services	11.0	11.4	10.4	24.8			21.3	21.1	16.8	15.7	15.1		10.4	4.5	
Exports	13.5	12.5	14.3	12.3			12.2	12.6	13.5	13.0	12.8		13.0	16.2	
Imports	24.4	23.9	24.7	37.1			33.4	33.7	30.3	28.7	27.9		23.4	20.7	
Net current transfers (negative = inflow)	-3.0	-6.3	-7.1	-18.3	-5.8	4.4	-9.0	-9.8	-8.6	-7.3	-7.0		-6.0	-4.1	-5.5
<i>of which: official</i>	-2.3	-3.2	-4.6	-11.1			-2.5	-4.0	-3.3	-2.5	-2.5		-2.5	-2.0	
Other current account flows (negative = net inflow)	-0.7	-0.7	-0.7	-0.8			-1.9	-1.7	-0.9	-1.0	-1.6		-0.1	-0.3	
<b>Net FDI (negative = inflow)</b>	<b>-1.7</b>	<b>-3.2</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-2.4</b>	<b>1.6</b>	<b>-0.3</b>	<b>-1.5</b>	<b>-1.8</b>	<b>-1.7</b>	<b>-1.7</b>		<b>-1.8</b>	<b>-2.0</b>	-2.0
<b>Endogenous debt dynamics 2/</b>	<b>-1.7</b>	<b>0.4</b>	<b>8.7</b>	<b>-3.3</b>			<b>-0.6</b>	<b>-0.3</b>	<b>-1.4</b>	<b>-1.9</b>	<b>-1.2</b>		<b>-1.8</b>	<b>-0.5</b>	
Contribution from nominal interest rate	0.2	0.1	0.3	0.3			1.6	1.6	0.8	0.8	1.2		-0.2	0.1	
Contribution from real GDP growth	-0.6	-0.8	10.3	-0.3			-2.1	-2.0	-2.1	-2.7	-2.3		-1.6	-0.6	
Contribution from price and exchange rate changes	-1.3	1.0	-2.0	-3.3			...	...	...	...	...		...	...	
<b>Residual (3-4) 3/</b>	<b>-4.2</b>	<b>-1.0</b>	<b>1.9</b>	<b>0.6</b>			<b>-6.6</b>	<b>-5.7</b>	<b>5.8</b>	<b>-3.6</b>	<b>-2.9</b>		<b>-1.7</b>	<b>-2.0</b>	
<i>of which: exceptional financing</i>	-0.6	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	22.3	28.1			36.0	37.3	37.2	37.6	38.0		37.0	8.2	
In percent of exports	...	...	156.5	228.3			295.7	295.5	276.4	288.4	298.2		284.6	50.9	
<b>PV of PPG external debt</b>	<b>...</b>	<b>...</b>	<b>22.3</b>	<b>22.4</b>			<b>23.7</b>	<b>20.7</b>	<b>18.2</b>	<b>16.5</b>	<b>14.9</b>		<b>11.4</b>	<b>5.5</b>	
<b>In percent of exports</b>	<b>...</b>	<b>...</b>	<b>156.5</b>	<b>181.3</b>			<b>194.5</b>	<b>163.6</b>	<b>134.8</b>	<b>126.5</b>	<b>116.7</b>		<b>87.5</b>	<b>33.8</b>	
<b>In percent of government revenues</b>	<b>...</b>	<b>...</b>	<b>393.1</b>	<b>455.4</b>			<b>346.0</b>	<b>274.1</b>	<b>226.8</b>	<b>195.4</b>	<b>144.6</b>		<b>90.3</b>	<b>34.6</b>	
<b>Debt service-to-exports ratio (in percent)</b>	<b>24.0</b>	<b>25.0</b>	<b>21.5</b>	<b>21.2</b>			<b>17.5</b>	<b>18.3</b>	<b>12.2</b>	<b>11.5</b>	<b>13.0</b>		<b>5.0</b>	<b>3.6</b>	
<b>PPG debt service-to-exports ratio (in percent)</b>	<b>24.0</b>	<b>25.0</b>	<b>21.5</b>	<b>21.2</b>			<b>17.5</b>	<b>18.3</b>	<b>12.2</b>	<b>11.5</b>	<b>13.0</b>		<b>5.0</b>	<b>3.6</b>	
<b>PPG debt service-to-revenue ratio (in percent)</b>	<b>29.9</b>	<b>27.2</b>	<b>54.0</b>	<b>53.3</b>			<b>31.2</b>	<b>30.7</b>	<b>20.6</b>	<b>17.7</b>	<b>16.1</b>		<b>5.1</b>	<b>3.7</b>	
Total gross financing need (Billions of U.S. dollars)	0.2	0.1	0.1	0.1			0.2	0.2	0.2	0.2	0.2		0.1	-0.1	
Non-interest current account deficit that stabilizes debt ratio	7.5	3.8	-10.4	2.8			7.5	7.6	-2.7	7.1	5.8		5.3	4.6	
<b>Key macroeconomic assumptions</b>															
Real GDP growth (in percent)	3.3	4.1	-36.0	1.0	-0.6	11.8	5.5	5.7	5.9	6.0	5.0	5.7	3.5	3.5	3.5
GDP deflator in US dollar terms (change in percent)	7.0	-5.0	10.8	11.1	5.8	6.6	-10.8	7.2	7.5	6.7	5.9	3.3	3.0	3.0	3.8
Effective interest rate (percent) 5/	1.3	0.7	1.2	1.1	1.0	0.4	4.0	4.7	2.1	1.8	2.5	3.1	-0.4	0.5	0.0
Growth of exports of G&S (US dollar terms, in percent)	26.0	-8.1	-19.1	-3.0	3.9	14.2	-7.2	17.6	21.5	9.4	8.9	10.1	7.1	10.9	9.2
Growth of imports of G&S (US dollar terms, in percent)	1.8	-3.2	-26.8	68.8	13.0	23.6	-15.3	14.4	2.4	7.2	8.0	3.3	3.9	7.0	5.3
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	...	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3
Government revenues (excluding grants, in percent of GDP)	10.8	11.5	5.7	4.9			6.8	7.5	8.0	8.4	10.3		12.6	15.8	13.6
Aid flows (in Billions of US dollars) 7/	0.1	0.1	0.1	0.2			0.2	0.1	0.1	0.1	0.1		0.1	0.2	
<i>of which: Grants</i>	0.1	0.1	0.0	0.2			0.1	0.1	0.1	0.1	0.1		0.1	0.1	
<i>of which: Concessional loans</i>	0.0	0.0	0.0	0.0			0.1	0.0	0.0	0.1	0.1		0.0	0.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...	10.9			8.2	6.3	4.8	3.8	3.4		2.3	2.1	2.4
Grant-equivalent financing (in percent of external financing) 8/	...	...	...	95.6			74.0	83.3	85.0	76.0	76.1		88.1	90.3	88.7
<b>Memorandum items:</b>															
Nominal GDP (Billions of US dollars)	2.2	2.2	1.5	1.7			1.6	1.8	2.1	2.4	2.6		3.8	7.7	
Nominal dollar GDP growth	10.6	-1.1	-29.1	12.2			-5.9	13.3	13.9	13.1	11.2	9.1	6.6	6.6	7.5
PV of PPG external debt (in Billions of US dollars)	...	...	0.4	0.4			0.4	0.4	0.4	0.4	0.4		0.4	0.4	
(Pvt-Pvt-1)/GDPT-1 (in percent)	...	...	...	...			1.5	-0.1	0.0	0.5	0.1	0.4	0.2	-0.1	0.1
Gross workers' remittances (Billions of US dollars)	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0
PV of PPG external debt (in percent of GDP + remittances)	...	...	22.4	22.4			23.8	20.7	18.2	16.5	14.9		11.4	5.5	
PV of PPG external debt (in percent of exports + remittances)	...	...	162.0	187.3			200.7	168.4	138.2	129.6	119.4		89.2	34.1	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	22.3	21.9			18.1	18.9	12.5	11.7	13.3		5.1	3.6	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as  $[r - g - \rho(1+g)] / (1+g+\rho+g\rho)$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate, and  $\rho$  = growth rate of GDP deflator in U.S. dollar terms.

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/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

8/ 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).

**Table 2. Central African Republic: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014–34**  
(Percent)

	Projections						2034
	2015	2016	2017	2018	2019	2024	
<b>PV of debt-to-GDP ratio</b>							
<b>Baseline</b>	24	21	18	16	15	<b>11</b>	5
<b>A. Alternative Scenarios</b>							
A1. Key variables at their historical averages in 2014-2034 1/	18	14	12	10	8	<b>2</b>	22
A2. New public sector loans on less favorable terms in 2014-2034 2	26	23	21	20	19	<b>17</b>	10
<b>B. Bound Tests</b>							
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	29	31	27	24	22	<b>17</b>	8
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	24	22	20	18	16	<b>13</b>	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	21	20	18	16	15	<b>11</b>	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	26	27	24	21	20	<b>15</b>	7
B5. Combination of B1-B4 using one-half standard deviation shocks	25	31	27	25	23	<b>18</b>	8
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	36	31	27	25	23	<b>17</b>	8
<b>PV of debt-to-exports ratio</b>							
<b>Baseline</b>	194	164	135	126	117	<b>88</b>	34
<b>A. Alternative Scenarios</b>							
A1. Key variables at their historical averages in 2014-2034 1/	147	114	89	77	62	<b>15</b>	134
A2. New public sector loans on less favorable terms in 2014-2034 2	210	185	157	153	148	<b>132</b>	65
<b>B. Bound Tests</b>							
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	194	164	135	127	117	<b>87</b>	34
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	202	241	199	187	174	<b>131</b>	50
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	194	164	135	127	117	<b>87</b>	34
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	214	210	175	164	153	<b>117</b>	43
B5. Combination of B1-B4 using one-half standard deviation shocks	197	239	199	187	174	<b>133</b>	50
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	194	164	135	127	117	<b>87</b>	34
<b>PV of debt-to-revenue ratio</b>							
<b>Baseline</b>	346	274	227	195	145	<b>90</b>	35
<b>A. Alternative Scenarios</b>							
A1. Key variables at their historical averages in 2014-2034 1/	261	191	150	119	77	<b>16</b>	138
A2. New public sector loans on less favorable terms in 2014-2034 2	373	309	264	237	184	<b>136</b>	66
<b>B. Bound Tests</b>							
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	419	407	337	290	215	<b>133</b>	51
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	348	298	248	214	159	<b>99</b>	38
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	312	270	224	193	143	<b>89</b>	34
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	382	352	294	254	190	<b>121</b>	44
B5. Combination of B1-B4 using one-half standard deviation shocks	364	411	343	296	221	<b>140</b>	52
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	520	414	343	295	219	<b>136</b>	52

**Table 2. Central African Republic: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014–34 (continued)**  
(Percent)

<b>Debt service-to-exports ratio</b>							
<b>Baseline</b>	18	18	12	11	13	<b>5</b>	4
<b>A. Alternative Scenarios</b>							
A1. Key variables at their historical averages in 2014-2034 1/	16	17	12	12	15	<b>5</b>	4
A2. New public sector loans on less favorable terms in 2014-2034 2	18	19	13	13	15	<b>7</b>	5
<b>B. Bound Tests</b>							
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	18	18	12	11	13	<b>5</b>	4
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	18	25	17	16	18	<b>7</b>	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	18	18	12	11	13	<b>5</b>	4
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	18	19	13	12	14	<b>5</b>	4
B5. Combination of B1-B4 using one-half standard deviation shocks	17	21	15	14	16	<b>6</b>	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	18	18	12	11	13	<b>5</b>	4
<b>Debt service-to-revenue ratio</b>							
<b>Baseline</b>	31	31	21	18	16	<b>5</b>	4
<b>A. Alternative Scenarios</b>							
A1. Key variables at their historical averages in 2014-2034 1/	28	29	21	19	18	<b>6</b>	4
A2. New public sector loans on less favorable terms in 2014-2034 2	31	32	22	20	18	<b>7</b>	5
<b>B. Bound Tests</b>							
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	38	45	30	26	24	<b>8</b>	5
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	31	31	21	18	16	<b>5</b>	4
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	28	30	20	17	16	<b>5</b>	4
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	31	31	22	19	17	<b>6</b>	5
B5. Combination of B1-B4 using one-half standard deviation shocks	31	37	26	22	20	<b>7</b>	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	47	46	31	27	24	<b>8</b>	6
<i>Memorandum item:</i>							
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	52	52	52	52	52	<b>52</b>	52

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

**Table 3. Central African Republic: Public Sector Debt Sustainability Framework, Baseline Scenario, 2011–34**  
(In percent of GDP, unless otherwise indicated)

	Actual				Average <sup>5/</sup>	Standard Deviation <sup>5/</sup>	Projections							2015-19 Average	2024	2034	2020-34 Average
	2011	2012	2013	2014			2015	2016	2017	2018	2019	2020					
<b>Public sector debt 1/</b>	32.9	33.1	52.3	47.6			42.8	37.5	45.2	43.3	42.2	42.5		30.6	7.4		
<i>of which: foreign-currency denominated</i>	19.6	20.3	33.4	30.5			26.8	24.4	32.0	30.3	29.1	30.3		22.4	10.3		
Change in public sector debt	0.6	0.2	19.2	-4.7			-4.9	-5.3	7.7	-1.9	-1.1	0.3		-2.7	-1.6		
Identified debt-creating flows	1.9	-2.2	17.0	-6.3			3.0	-1.7	-2.7	-3.6	-2.2	-3.0		-2.0	-1.2		
Primary deficit	1.7	-0.7	5.7	-3.6	-0.6	4.1	3.0	1.4	0.7	0.4	0.3	0.3	1.2	0.2	-0.3		
Revenue and grants	13.3	16.4	8.4	15.6			11.5	12.3	11.8	10.7	12.4	13.4		14.5	17.6		
<i>of which: grants</i>	2.5	4.9	2.7	10.7			4.6	4.8	3.7	2.3	2.1	1.9		1.9	1.8		
Primary (noninterest) expenditure	15.1	15.6	14.1	12.0			14.5	13.7	12.5	11.2	12.7	13.7		14.7	17.3		
Automatic debt dynamics	-0.4	-1.6	14.6	-1.7			0.0	-3.1	-3.4	-4.0	-2.7	-3.4		-2.1	-0.4		
Contribution from interest rate/growth differential	-1.0	-1.4	15.8	-5.1			-3.1	-2.9	-3.1	-3.7	-2.3	-3.0		-2.1	-0.4		
<i>of which: contribution from average real interest rate</i>	0.0	-0.1	-2.8	-4.5			-0.6	-0.5	-1.0	-1.1	-0.2	-1.4		-0.9	-0.1		
<i>of which: contribution from real GDP growth</i>	-1.0	-1.3	18.6	-0.5			-2.5	-2.3	-2.1	-2.6	-2.1	-1.6		-1.1	-0.3		
Contribution from real exchange rate depreciation	0.6	-0.3	-1.3	3.4			3.0	-0.3	-0.3	-0.3	-0.4	-0.4		...	...		
Other identified debt-creating flows	0.6	0.1	-3.3	-1.0			0.0	0.0	0.0	0.0	0.2	0.2		-0.1	-0.4		
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	0.0		
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0		
Debt relief (HIPC and other)	0.6	-0.1	-3.3	-1.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	-0.1		
Other (specify, e.g. bank recapitalization)	0.0	0.3	0.0	0.0			0.0	0.0	0.0	0.0	0.2	0.2		-0.1	-0.3		
Residual, including asset changes	-1.3	2.4	2.3	1.6			-7.9	-3.6	10.4	1.7	1.1	3.2		-0.7	-0.5		
<b>Other Sustainability Indicators</b>																	
<b>PV of public sector debt</b>	...	...	41.3	39.5			39.6	33.7	31.3	29.5	28.0	27.2		19.6	2.6		
<i>of which: foreign-currency denominated</i>	...	...	22.3	22.4			23.7	20.7	18.2	16.5	14.9	15.0		11.4	5.5		
<i>of which: external</i>	...	...	22.3	22.4			23.7	20.7	18.2	16.5	14.9	15.0		11.4	5.5		
PV of contingent liabilities (not included in public sector debt)	...	...	...	...			...	...	...	...	...	...		...	...		
Gross financing need 2/	5.4	3.5	9.5	-0.3			6.1	4.5	3.0	2.8	3.1	3.1		1.3	0.3		
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	490.9	253.6			345.3	273.8	266.4	274.4	226.1	203.0		135.2	14.6		
PV of public sector debt-to-revenue ratio (in percent)	...	...	726.3	805.0			578.8	446.7	391.0	349.5	272.2	235.8		155.4	16.3		
<i>of which: external 3/</i>	...	...	393.1	455.4			346.0	274.1	226.8	195.4	144.6	130.0		90.3	34.6		
Debt service-to-revenue and grants ratio (in percent) 4/	27.7	26.2	46.0	21.2			26.8	24.9	19.5	21.8	22.7	21.3		7.5	3.6		
Debt service-to-revenue ratio (in percent) 4/	34.2	37.3	68.1	67.3			44.9	40.7	28.6	27.8	27.3	24.7		8.6	4.0		
Primary deficit that stabilizes the debt-to-GDP ratio	1.1	-0.9	-13.6	1.1			7.9	6.7	-7.0	2.3	1.3	0.0		2.9	1.3		
<b>Key macroeconomic and fiscal assumptions</b>																	
Real GDP growth (in percent)	3.3	4.1	-36.0	1.0	-0.6	11.8	5.5	5.7	5.9	6.0	5.0	4.0	5.7	3.5	3.5		
Average nominal interest rate on forex debt (in percent)	1.3	0.7	1.2	1.1	1.0	0.4	4.9	6.9	3.6	2.9	4.3	0.0	4.5	-0.8	0.8		
Average real interest rate on domestic debt (in percent)	1.3	2.1	-5.1	-8.5	0.8	5.2	-1.2	-4.0	-3.5	-2.9	-0.8	-1.3	-2.5	-0.7	-5.7		
Real exchange rate depreciation (in percent, + indicates depreciation)	3.3	-1.4	-4.3	11.2	0.6	8.8	...	...	...	...	...	...	...	...	...		
Inflation rate (GDP deflator, in percent)	2.0	2.7	7.2	11.0	4.1	3.1	4.7	7.0	6.5	5.4	4.6	4.5	5.6	3.0	3.0		
Growth of real primary spending (deflated by GDP deflator, in percent)	-11.3	7.9	-42.5	-13.9	-5.4	13.7	27.5	0.1	-3.7	-4.9	19.2	12.1	7.6	6.1	7.7		
Grant element of new external borrowing (in percent)	...	...	...	32.0	32.0	...	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	...		

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ 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.

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

**Table 4. Central African Republic: Sensitivity Analysis for Key Indicators of Public Debt, 2014–34**

	Projections						
	2015	2016	2017	2018	2019	2024	2034
<b>PV of Debt-to-GDP Ratio</b>							
<b>Baseline</b>	40	34	31	29	28	20	3
<b>A. Alternative scenarios</b>							
A1. Real GDP growth and primary balance are at historical averages	40	36	35	35	35	28	3
A2. Primary balance is unchanged from 2014	37	29	25	21	19	3	-22
A3. Permanently lower GDP growth 1/	41	36	34	34	34	34	46
<b>B. Bound tests</b>							
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	49	52	50	49	49	48	45
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	40	35	33	31	29	21	3
B3. Combination of B1-B2 using one half standard deviation shocks	44	43	41	40	39	35	27
B4. One-time 30 percent real depreciation in 2015	54	46	37	33	31	20	3
B5. 10 percent of GDP increase in other debt-creating flows in 2015	44	38	35	33	31	22	5
<b>PV of Debt-to-Revenue Ratio 2/</b>							
<b>Baseline</b>	345	274	266	274	226	135	15
<b>A. Alternative scenarios</b>							
A1. Real GDP growth and primary balance are at historical averages	344	276	279	305	264	176	14
A2. Primary balance is unchanged from 2014	319	232	209	199	150	21	-123
A3. Permanently lower GDP growth 1/	351	285	285	306	264	224	243
<b>B. Bound tests</b>							
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	391	359	372	416	367	315	244
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	349	287	278	287	236	142	18
B3. Combination of B1-B2 using one half standard deviation shocks	365	312	318	347	300	236	150
B4. One-time 30 percent real depreciation in 2015	467	371	312	312	249	137	15
B5. 10 percent of GDP increase in other debt-creating flows in 2015	385	307	298	307	251	154	30
<b>Debt Service-to-Revenue Ratio 2/</b>							
<b>Baseline</b>	27	25	20	22	23	7	4
<b>A. Alternative scenarios</b>							
A1. Real GDP growth and primary balance are at historical averages	28	27	21	26	29	11	6
A2. Primary balance is unchanged from 2014	27	24	18	20	21	5	-2
A3. Permanently lower GDP growth 1/	27	26	21	24	25	10	11
<b>B. Bound tests</b>							
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	30	31	26	30	32	13	12
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	27	25	20	22	23	8	4
B3. Combination of B1-B2 using one half standard deviation shocks	29	29	23	27	28	11	8
B4. One-time 30 percent real depreciation in 2015	31	34	26	29	29	10	6
B5. 10 percent of GDP increase in other debt-creating flows in 2015	27	26	21	22	23	8	4

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

**Statement by Mr. Yambaye, Executive Director for the Central African Republic  
and Mr. Tall, Senior Advisor to the Executive Director  
September 14, 2015**

First of all, we would like to convey our Central African Republic authorities' appreciation for the continued support of the IMF, and the productive discussions with staff in the context of program negotiations. The balanced set of reports reflects well these discussions, and the broad agreement reached between the authorities and staff on the challenges facing the country and the policy recommendations going forward.

The Central African Republic (CAR) is gradually emerging from a conflict which has caused, since 2013, an unprecedented humanitarian and political crisis with spillovers in the region. When the transition Government assumed power in January 2014, inter-community violence was at its height, and state functions had collapsed. About half of the population was either internally displaced, or sought refuge in neighboring countries.

In this particularly difficult context, the authorities strived to restore peace and implement an emergency economic recovery plan. The support of the international community, particularly from the UN's MINUSCA, France, as well as member countries of the Economic Community of Central African States (CEEAC), has been decisive in stopping the violent conflict, and progressively improving the security outlook.

Building on this momentum, the authorities pursued efforts to further consolidate peace and democratic governance in CAR. In this vein, an inclusive political dialogue forum was held in Bangui in May 2015, which saw the broad participation of armed rebel groups and militias, political and civil society organizations, and religious representatives. A consensus was reached at the end of this Bangui Forum, with participants agreeing to a ceasefire, endorsing a road map for elections, and for the demobilization and reinsertion into civil life of former combatants.

The authorities have been working tirelessly to implement the Bangui Forum's resolutions and meet the timetable for elections. The legal framework required for these elections has been enacted, and voter registration has been in train. In spite of the significant progress achieved, major obstacles remain, including securing the remaining financing needed for the elections, and addressing insecurity in certain regions. The authorities have been reaching out to development partners to close the financing gap for the conduct of credible elections, as well as the successful disarmament, demobilization and reinsertion (DDR) of former combatants.

Economic rebuilding and a stable macroeconomic framework is the third pillar of the strategy to achieve a lasting peace in CAR. The authorities' economic policies have been guided by their homegrown Emergency Recovery Plan which had been endorsed by donors. Beyond emergency social and humanitarian measures, they focused on rebuilding economic governance institutions, and laying the ground for medium-term reforms.

The authorities' continued to build a track record of satisfactory IMF- supported program performance, with economic outcomes for the first half of 2015 broadly in line with targets. Despite challenging conditions, the authorities met all their end-March and end-June quantitative and policy objectives under the Rapid Credit Facility (RCF). On structural reforms, major accomplishments include the appointment of the head of the treasury unit, ACCT, improving revenue collection, and the cleaning of the civil service roster.

In spite of the improved near-term outlook, significant challenges lay ahead, including in maintaining the momentum for peace, and accelerating economic recovery efforts to address pressing humanitarian and social needs, while making inroads towards sustainable development goals. Against this backdrop, the authorities are requesting continued Fund support to meet urgent balance of payments needs, and catalyze essential donor's support, as they intensify their efforts to rebuild state functions, further strengthen capacity, and create conditions for longer-term engagement with the Fund.

## **I. Recent Economic Developments**

The **macroeconomic outlook** for 2015 has improved compared to 2014, as security gains consolidated and facilitated the resumption of economic activity. Indeed in 2014, economic activity was subdued with a real GDP growth rate of 1 percent, while average inflation reached 11.6 percent of GDP, due to conflict-related supply bottlenecks. As the security situation is improving, economic recovery is building momentum. Notably, displaced populations have started to return and efforts were made to improve the security of goods transportation in the international trade corridors. Accordingly, real GDP growth rate is projected to reach 5.5 percent in 2015, while average inflation declined to 6 percent as of June 2015.

On **fiscal policy**, the authorities adhered to prudent goals in the context of lower than anticipated revenues. They sought to improve *revenue collection*, including through the rebuilding of revenue administration capacity. However, security challenges and capacity constraints continued to weigh on revenue performance. *On spending*, the authorities aimed for a prudent execution in budgeted spending, in the face of significant spending needs. They met all current and social spending goals, including through the timely payment of wages and pensions, and by clearing outstanding wage arrears. They prioritized capital spending plans to match their implementation capacity, and the availability of external support. They also completed the payroll cleaning exercise, which yielded a CFA 2.8 billion in saving. Overall, these efforts helped contain the projected primary deficit for 2015 at 3 percent of GDP, following the primary surplus of 3.6 percent of GDP recorded in 2014.

**On structural fiscal reforms**, the authorities made inroads in strengthening the fiscal framework, and public financial management. The Director and Deputy Director of ACCT have been appointed. The externally-appointed Director of the Treasury's accounting unit, ACCT, has been given considerable statutory powers to approve or deny payment requests, and strong controls have been put in place to ensure that development assistance is used as intended. The Treasury and Public Financial Management Committees have been functioning as planned. Moreover, a National Committee for Aid Coordination has been established to further improve the management of development assistance.



## **II. Economic Policies for the Remainder of 2015, and Medium Term Outlook**

The authorities' first priority going forward is the successful organization of credible elections, which will usher in a new democratically-elected leadership. The authorities are also working towards the consolidation of peace and security throughout the country. Economic policies for the remainder of 2015 will continue to be guided by the Emergency Recovery Plan.

Assuming continued improvements in the security situation, GDP growth rate is projected to reach 5.7 percent in the medium term, while inflation is projected to return to an average of 3.3 percent in the medium term, in line with the regional convergence criteria. The current account deficit is projected to reach 10.4 percent of GDP in 2015 on account of increased imports to finance major energy and infrastructure projects, and is expected to gradually decline in the medium run

### *Fiscal Policy*

The authorities' fiscal policies are aimed in the short run at mobilizing the resources needed to address urgent spending needs, including for elections and the DDR process, and rebuilding capacity. Medium-term policies are geared towards supporting growth and reducing poverty while preserving fiscal sustainability.

To improve revenue collection, the authorities will progressively rebuild state functions, including the equipment and staffing of decentralized revenue administration offices. They will also broaden the tax base by reducing tax exemptions, and strengthening controls to ensure compliance. In the same vein, they will seek to strengthen international tax cooperation and the exchange of information, especially with Cameroon's customs authorities.

The authorities also adopted a comprehensive medium-term plan to strengthen domestic revenue collection. In this regard, they plan to deepen reforms already underway, including by further streamlining tax exemptions, and undertake new initiatives--amongst others, an overhaul of tax policy in the forestry, mining, and telecommunication sectors. They intend to phase in these reforms progressively, as administrative capacity is rebuilt, and with the benefit of Fund's technical assistance.

On spending, the authorities plan to improve the efficiency of spending and align it with available financing with the view to achieving their fiscal sustainability goals. In the context of reduced revenues, the authorities will intensify efforts to control the wage bill by proceeding with the next phases of the payroll cleaning operation. They are also committed to meeting their spending ceiling target, including through sizeable reductions in public investments to reflect weaker administrative capacity.

The authorities are also prioritizing spending to ensure that the monthly cash management plan is implemented, and that available resources are directed towards priority spending. Structural reforms to improve public financial management will be intensified as well.

Over the medium term, the authorities are aiming for a return to normal budgetary procedures.

To that effect, they are committed to strictly limiting the use of exceptional budget and spending procedures, to reestablish the Treasury single account, and to ensure the effective operations of the Treasury's ACCT.

### *Debt Sustainability*

The authorities have taken good note of staff's advice in the Debt Sustainability Analysis, which highlighted CAR's exports vulnerability to conflict-related dislocations, and the volatility of commodity markets, especially in the aftermath of the global financial crisis. They are committed to preserving debt sustainability, against a particularly difficult internal and external environment.

Following the 2013 political and security crisis, CAR's external public debt-to-GDP ratio spiked to 33.4 percent, while the total public debt-to-GDP ratio, including domestic debt, reached 47 percent. Owing to the authorities' prudent debt policies, these ratios have been on a declining path since.

To broaden their export base and reduce debt vulnerabilities, the authorities took additional measures to ensure compliance with the requirements of the Kimberley certification process, which resulted in the partial lifting of the ban on diamond exports from CAR. They are working towards securing the remaining diamond production areas and to regain their market share in timber and forestry goods exports.

The authorities remain also committed to seeking financing only in the form of grants and highly concessional borrowing. Moreover, they are determined to intensify reforms aimed at strengthening debt management capabilities, with Fund's technical assistance.

### *Structural Reforms*

The authorities' structural reforms will aim at broadening the sources of growth, leveraging CAR's competitive advantage--notably in natural resources--to build an inclusive economy and reduce poverty in order to break the conflict cycle.

In the short run, the authorities' priority is to reduce tensions, facilitate the return of displaced populations, and restore social cohesion, which will help ensure that economic activity is resumed throughout the country. They will also seek to remove conflict-related bottlenecks including by rebuilding infrastructure, securing trade routes, and investing in priority sectors such as health and education.

They will further accelerate the pace of reforms aimed at improving the business environment. In this respect, they plan to modernize and streamline the legal and regulatory framework for businesses, particularly in the mining and forestry sectors. They also plan to review the investment code to make it more attractive.

## **III. Conclusion**

The Central African Republic's authorities are grateful to the international community for the

support they have been receiving, which has been decisive in halting the conflict's downward spiral, and building much needed momentum for peace consolidation and economic rebuilding.

They undertook key reforms under the RCF, and laid out a vision to address the daunting medium-term challenges ahead. To succeed, the authorities need the full support of the international community, particularly at this critical juncture as they set out to organize the upcoming elections, and lay the foundations for medium-term economic policies.

The IMF in particular has an essential role to play in this fragile situation, notably through scaled up technical assistance, a successor medium-term program engagement, and its support in mobilizing the external resources critical to building a strong and inclusive economy, and securing a lasting peace.

On the basis of the authorities' track record of Fund program implementation, ownership of the program as evidenced by the implementation of all prior actions and program performance criteria, as well as their commitment to sound policies going forward, we call on Executive Directors to support the Central African Republic authorities' requests.