



# CENTRAL AFRICAN REPUBLIC

## FIRST REVIEW UNDER THE STAFF-MONITORED PROGRAM

April 2022

In the context of the First Review Under the Staff-Monitored Program (SMP), the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's information, following discussions that ended on March 3, with the officials of the Central African Republic on economic developments and policies underpinning the First Review Under the Staff-Monitored Program. Based on information available at the time of these discussions, the staff report was completed on April 7, 2022.

The document listed below has been or will be separately released.

Letter of Intent sent to the IMF by the authorities of the Central African Republic\*

\*Also included in the 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.

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## IMF Management Completes First Review of the Staff Monitored Program with the Central African Republic

### FOR IMMEDIATE RELEASE

- *IMF Management has approved the first review of the Staff-Monitored Program (SMP) with the Central African Republic. The SMP aims to improve the track record of policy implementation and unlock budget support from donors. Its satisfactory implementation and financing assurances from donors would permit the resumption of discussions under the ECF-supported program (approved in 2019) in mid-2022.*
- *Program performance at end-December 2021 was satisfactory. Quantitative benchmarks and all three structural benchmarks were met. However, two indicative targets—the floor on domestic arrears and spending through extraordinary procedures—were missed.*
- *Reaching an agreement with development partners on the remainder of the budget support is critical to safeguard pro-poor spending and the provision of public services and transitioning to an IMF financing arrangement.*
- *Achieving tangible progress on the reconciliation and peace fronts is critical to spur economic growth, stability, and inclusion.*

**Washington, DC – April 12, 2022:** The Management of the International Monetary Fund (IMF) approved on March 31, 2022, the completion of the first review of a seven-month (December 2021 - June 2022) Staff Monitored program (SMP) with the Central African Republic.<sup>1</sup>

Policies under the SMP aim to address the challenges caused by the security crisis and the Covid-19 pandemic, provide a roadmap to improve the track record of policy implementation and help the country to benefit from budget support by development partners.

Fiscal policy centers on the sustainable financing of additional high-priority social spending and investments. Structural reforms focus on strengthening revenue mobilization, fiscal transparency, and governance, including in the extractive sector.

The authorities made satisfactory progress through end-December 2021. Thanks to a slightly higher revenue mobilization and improved spending execution, they met all quantitative targets. They also met all structural benchmarks. While the authorities met the indicative target on social spending, however, they missed those on domestic arrears and spending

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<sup>1</sup> An [SMP](#) is an informal agreement between country authorities and Fund staff to monitor the implementation of the authorities' economic program. SMPs do not entail financial assistance or endorsement by the IMF Executive Board.

through extraordinary procedures, owing to monitoring weaknesses which are being addressed through IMF capacity development.

Downside risks related to the food and fuel shocks and uncertainties about budget support, are mounting. Reaching an agreement with development partners on the disbursement of the budget support will be critical to preserve stability and limit hardship on the population.

Financing assurances will also be required for a transition to an IMF financing arrangement.

Achieving tangible progress on the peace dialogue will sustain the recovery, strengthen inclusion, and unlock C.A.R.'s growth potential.



# CENTRAL AFRICAN REPUBLIC

## FIRST REVIEW UNDER THE STAFF-MONITORED PROGRAM

April 7, 2022

### EXECUTIVE SUMMARY

#### **Background:**

The fragile security environment has improved following the attempt by armed groups to seize power at the turn of the year 2021. The reopening of the Douala-Bangui corridor reinvigorated activity and curbed inflationary pressures. The third Covid-19 wave is receding, but vaccination has been slow. President Touadéra has launched the Republican dialogue peace initiative alongside the Luanda Road Map spearheaded by neighboring countries. The surrender of a key rebel leader to the International Criminal Court represents a key step in the peace process. Donors have delayed disbursing budget support pending greater transparency in the government's security-related spending. This poses substantial fiscal and social risks given the heavy reliance on budget support. The sharp deterioration in terms of trade, reflecting food and fuel price shocks, compounded by geo-political spillovers, will exacerbate existing vulnerabilities and further erode policy space.

#### **Program objectives:**

In December 2021, the authorities embarked on a Staff-Monitored Program (SMP). The 7-month SMP running through June 2022 aims to improve the track record of policy implementation and unlock budget support from donors. Satisfactory implementation of the SMP and financing assurances from donors would permit the resumption of discussions under the ECF-supported program (approved in 2019) in mid-2022.

#### **Program review:**

Program performance at end-December 2021 was satisfactory. Quantitative benchmarks and all three structural benchmarks were met. However, two indicative targets—the floor on domestic arrears and spending through extraordinary procedures—were missed. Looking forward to end-March 2022, the remaining targets will likely be met predicated on the authorities' commitments to a prudent budget execution.

#### **Staff views:**

A prudent execution of the 2021 revised budget law prevented spending overruns while slightly higher domestic revenues kept the deficit in check. Looking forward, the authorities would need to bridge differences with donors for a swift disbursement of budget support. Spending plans should be executed based on available resources until budget support resumes.

A viable financing mix in 2022 that envisages using a portion of the remaining SDR allocation and modest issuance of government securities in the regional market would help preserve debt sustainability while keeping some buffers to cope with future funding risks.

Approved By  
**Vitaliy Kramarenko**  
 (AFR)  
 and **Kenneth Kang**  
 (SPR)

An IMF team consisting of Messrs. Williams (head), Ebeke, and Nshimiyimana, and Mmes. Belianska (all AFR), Pico (FAD), and Popescu (SPR), held discussions in Bangui with the Central African authorities from February 22–March 3, 2022. Messrs. Davies and Zoungarani (resident representative and local economist) helped organize the mission, while Mrs. Bah (OED) also attended the discussions. The team had talks with President Touadéra, Prime Minister Moloua, Minister of Finance and Budget Ndob, Minister of Health and Population Somse, Minister of Mines and Geology Benam-Beltoungou, National Director of BEAC Chaïbou, other senior government officials, as well as representatives of development partners and the private sector. Mr. N. Ouattara’s help with the production of the staff report is gratefully acknowledged.

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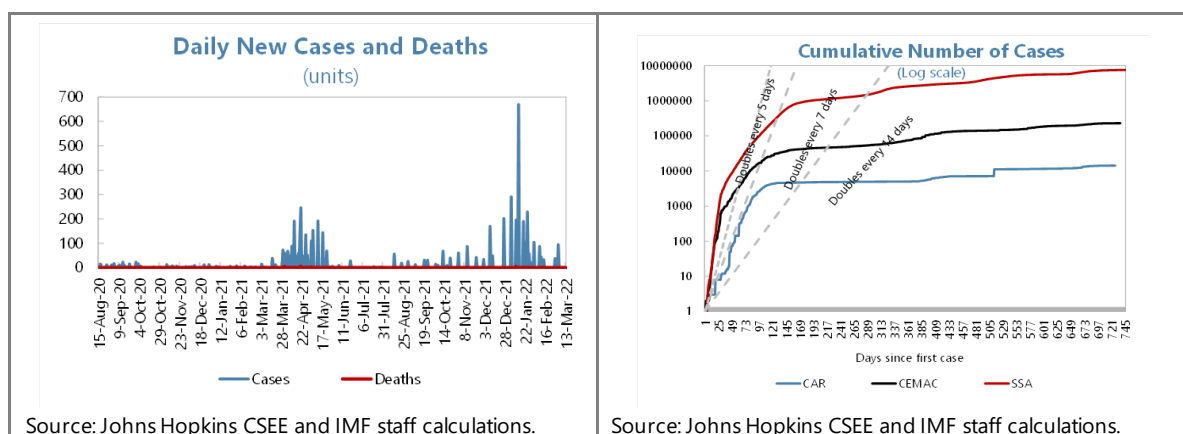
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## BACKGROUND

- 1. In December 2021, the authorities embarked on a Staff-Monitored Program (SMP).** The 7-month SMP through June 2022 aims to improve the track record of policy implementation in public finance and governance and allow the country to benefit from donor budget support. Its satisfactory implementation and financing assurances from donors would permit the resumption of discussions under the ECF-supported program (approved in 2019) in mid-2022.
- 2. The third Covid-19 wave that started last December has receded.** The number of new cases rose from 93 in September to 674 in December 2021, while the positivity rate increased from 16 percent in the last week of 2021 to 35 percent in the first two weeks of 2022 (Text Figure 1 and MEFP ¶12). Out of a sample of 57 positive cases last December, 70 percent were due to the Omicron variant. The government has received 1.5 million vaccine doses from donors, and 11 percent of the total population has been vaccinated. All 109 recorded deaths since the pandemic have occurred in unvaccinated victims.



- 3. The security situation has improved but remains fragile.** Government forces and their foreign allies repulsed an attempt by armed groups to march on Bangui between end-2020 and early 2021, around the time of the presidential election. By mid-2021, government forces appeared to have secured much of the country. Subsequently, the Union for Peace in the Central African Republic (UPC) stepped up attacks mainly in the southern and central regions.
- 4. The “Republican dialogue” and Luanda Roadmap are steps toward reconciliation.** In October 2021, President Touadéra declared a unilateral cease-fire under the Luanda Roadmap initiative of the International Conference of the Great Lakes Region (ICRGL) comprising 12 eastern and central African countries. The ceasefire has, however, been frequently violated. Talks with stakeholders “recognized by the constitution” took place between March 21–27 under President Touadéra’s “republican dialogue.” The dialogue excluded rebel groups. The recent surrender of a key rebel leader to the International Criminal Court is a key step in the peace process.

- 5. Discussions continue with donors over the disbursement of budget support.** The authorities committed to respond to donor demands for transparency in security-related



spending. Part of EU and World Bank budget support for 2021 remains undisbursed, and no commitment has so far been made for 2022.

## RECENT DEVELOPMENTS

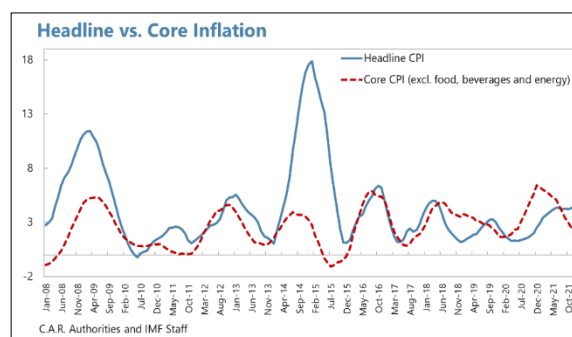
**6. Economic activity gradually recovered in the second half of 2021.** The improvements in the security situation in the provinces and on the main trade corridor were instrumental. In addition, the strong momentum in the mining sector, and favorable rainfall that supports agriculture helped activity in the second half of the year. Growth is expected at 1 percent in 2021, in line with December 2021 projections.

**7. Inflation in the second half of 2021 stabilized.** Owing to supply shortages triggered by the security crisis, inflation reached 5.2 percent year-on-year during the first quarter of 2021. Following the reopening of the corridor, inflationary pressures eased to an average of 3.3 percent year-on-year in the second half of 2021, leading to a yearly average of 4.3 percent. Core inflation stabilized at 2 percent.

**8. Tax revenues marginally exceeded expectations by end-2021.** Domestic revenues reached CFAF 125.9 billion (8.8 percent of GDP), exceeding the annual SMP target by around CFAF 2 billion. This broadly reflects improvements in the security situation, which allowed for a resumption of activity in the second half of the year, facilitated by the reopening of the trade corridor.

**9. Public spending was aligned with the 2021 revised budget law.** Domestic primary expenditure reached CFAF 199.3 billion (14 percent of GDP), in line with the revised budget law (CFAF 199 billion). However, the composition of spending differed from the budget. Transfers to public agencies were lower, as they were prorated to their collection of parafiscal revenues. The slower execution of domestically financed public investment and purchases of goods and services also contributed to their lower share. However, the authorities increased the recruitment of security personnel spending to strengthen military presence. Social spending was higher than expected at CFAF 40 billion (2.8 percent of GDP) compared to CFAF 24 billion in the budget.

**10. Public debt increased in 2021 amid domestic bond issuance and partial use of SDRs.** Domestic debt increased to 13.2 percent of GDP as higher domestic financing (CFAF 48.75 billion in government securities and CFAF 35 billion in use of the SDR allocation) made up for the shortfall in budget support. BEAC restructured C.A.R.'s domestic debt with an extension of the grace period by three years to 2025 (instead of 2022) and the maturity to 20 years (from 10 years). Overall, public debt rose to 47.6 percent of GDP, reflecting the disbursement of a concessional loan from the Saudi Development Fund contracted in 2015.



**11. The SDR allocation helped generate a small balance of payment surplus in 2021.**

Following the reopening of the trade corridor, both exports and imports recovered in the second half of the year. Mineral exports (gold, diamonds) surged, while the pick-up in imports was partly driven by the economic recovery and the rise in petroleum import prices. As a result, the trade deficit remained high, at about 15 percent of GDP. The non-disbursement of budget support—totaling some 5 percent of GDP—weighed heavily on the current account balance. Nonetheless, the overall balance of payments registered a small surplus in 2021, owing to about 6 percent of GDP in SDR allocation.

**12. The banking system appears sound but with a few pressure points.** The capital adequacy ratio remained at 23.8 percent at end-September 2021, above the regulatory minimum of 9.5 percent. Private sector loans increased by 11.3 percent year-on-year in December 2021. In parallel, the NPL ratio stood at 14 percent, helped by the easing of prudential measures implemented by COBAC.<sup>1</sup> The unwinding of pandemic-related prudential measures extends until end-2022 allowing time to further minimize the impact of pandemic-related loans on banks' asset quality. Owing partly to BEAC refinancing operations, the short-term liquidity coverage ratio improved to 214 percent. Nevertheless, this aggregate figure masks sizable liquidity and recapitalization needs in some privately-owned institutions which are yet to fully implement COBAC's supervisory decisions, including a swift recapitalization and asset recovery efforts.

## PROGRAM IMPLEMENTATION

### A. Implementation of End-December 2021 Targets

- **The authorities met all quantitative benchmarks but missed two indicative targets** (MEFP ¶115). The indicative target on spending through extraordinary procedures was not met. It totaled CFAF 7.4 billion at end-2021, exceeding the program floor of CFAF 6.7 billion, owing to onerous and hard-to-predict health evacuations, given capacity challenges in the domestic health system. The indicative target on domestic arrears was not met owing to monitoring weaknesses, but remedial action is set to be taken to address the situation (MEFP, ¶133). Going forward, the new digital system for managing pensions is expected to mitigate arrears accumulation.

<sup>1</sup> To mitigate the impact of phasing out of the easing of prudential measures on NPLs, COBAC will keep them until end-2022, and those pertaining to capital requirements until mid-2022. The unwinding of these relief measures includes (i) increasing the regulatory capital requirement to 10.5 percent, and (ii) removing existing conditions for reclassifying restructured loans from nonperforming into sound loans and extending the period since the first payment default from 90 days to 180 days when reclassifying sound loans into NPLs.

**Text Table 1. Central African Republic: Quantitative Benchmarks and Indicative Targets  
under the SMP**

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

	End-December 2021			End-March 2022	
	PC	Actual	Status	PC	Revised PC
<b>Quantitative benchmarks</b>					
Net domestic government financing (ceiling, cumulative flows for the year)	79.6	75.1	Met	-16.5	18.0
Domestic revenue (floor, cumulative for the year) <sup>1</sup>	124.0	125.9	Met	32.0	32.0
Domestic primary fiscal balance (floor, cumulative for the year) <sup>2</sup>	-77.0	-74.0	Met	-22.0	-14.0
<b>Continuous benchmarks</b>					
Contracting or guaranteeing of new external non concessional debt (ceiling, cumulative from October 1, 2021) <sup>3,4</sup>	0.0	0.0	Met	0.0	0.0
Disbursement of external non concessional debt (ceiling, cumulative from October 1, 2021) <sup>3,4</sup>	0.0	0.0	Met	0.0	0.0
Non accumulation of external payments arrears (ceiling, cumulative for the year) <sup>3,4</sup>	0.0	0.0	Met	0.0	0.0
<b>Indicative targets</b>					
Social spending (floor, cumulative for the year) <sup>5</sup>	24.0	40.0	Met	5.0	5.0
Spending through extraordinary procedures (ceiling, cumulative for the year)	6.7	7.4	Not met	1.7	1.7
Reduction in domestic payments arrears (floor, cumulative for the year)	12.0	10.5	Not met	3.0	0.0
New concessional/external debt contracted or guaranteed by the government (ceiling, cumulative for the year)	25.0	0.0	Met	15.0	15.0
<b>Memorandum items:</b>					
Budget support	0.0	0.0		46.0	0.0
Privatization receipts	3.6	1.8		0.0	1.8
Sources: C.A.R. authorities and IMF staff estimates.					
<sup>1</sup> Domestic revenue, which excludes foreign grants and divestiture receipts.					
<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> These objectives will be monitored continuously.					
<sup>4</sup> Contracted or guaranteed by the government.					
<sup>5</sup> Social spending is defined as domestically financed public non-wage spending on primary and secondary education, health, social action, water and sanitation, microfinance, agriculture and rural development.					

**13. The authorities met all three end-December structural benchmarks** (Text Table 2 and MEFP, ¶116).

**14. Progress towards meeting end-March quantitative targets is underway.** Based on revenue and spending developments thus far in 2022, prudent budget execution, and revised staff projections, the authorities could meet most of end-March quantitative targets (Text Table 1 of the MEFP). Compared with the December staff report, staff proposes that end-March 2022 quantitative targets are revised to account for the non-disbursement of the 2021 World Bank and EU budget support expected in 2022Q1. A higher net domestic financing is foreseen, reflecting the frontloaded use of part (CFAF 20 billion in 2022 out of the remaining CFAF 49 billion) of the SDR allocation (see ¶130 and Table 2c). Higher privatization receipts are also envisaged by end-March 2022, reflecting the receipt of the second half (CFAF 1.8 billion) of the sale of part of the government's stake in a local bank and initiated in late 2021.

**15. The authorities implemented the customs-related structural benchmark and submitted the anti-corruption law with a minor delay:**

- The anti-corruption law was submitted to the National Assembly on February 4, 2022 (MEFP ¶118), a few days past the deadline set for this structural benchmark (end-January 2022). Staff

will assess whether the final draft remains consistent with the requirements of the United Nations Convention against Corruption.

- Interconnexion between ASYCUDA++ and eDouanes: The adoption of the automatic value for the import declaration is now operational. A mission from the IMF's Fiscal Affairs Department will take place in April 2022 to help the authorities strengthen the process and help with any improvement to ensure the resources mobilization objective is accomplished (MEFP, ¶17).

**Text Table 2. Central African Republic: Prior actions and structural benchmarks,  
December 2021–March 2022**

Measures	Timeline	Macroeconomic Rationale	Status
Online publication of an independent audit of COVID-related spending executed in 2020	Prior action	Improve accountability	Met
Elimination of agencies without economic justification	Prior action	Improve transparency and revenue collection	Met
Submission to the National Assembly of a draft supplementary budget for 2021 consistent with the SMP objectives	Prior Action	Improve transparency and revenue collection	Met
Submission to the National Assembly of a draft budget for 2022 consistent with the SMP objectives	End-December 2021	Ensure macroeconomic stability	Met
Issuance of a ministerial order suspending import activities as of end-March 2022 for all large importers behind on their tax obligations	End-December 2021	Improve revenue collection	Met
Issuance of a ministerial order making the systematic use of the e-filing system mandatory for large taxpayers by December 31, 2022	End-December 2021	Improve transparency and revenue collection	Met
Submission to the National Assembly of a new anticorruption law that is consistent with the requirements of the United Nations Convention against Corruption (UNCAC)	End-January 2022	Improve governance	Not met, submitted on February 4, 2022
Adjustment of the ASYCUDA ++ customs processing system to ensure that the values recommended by Webb Fontaine are automatically reflected in the importers' customs declarations	End-February 2022	Improve transparency and revenue collection	Met

## OUTLOOK AND RISKS

**16. The economic recovery hinges on further security improvements.** Growth is projected at 3.5 percent in 2022 and 3.7 percent in 2023 before converging to around 4 percent in the medium term. These projections are marginally lower than those from the December staff report, reflecting spillovers from delayed budget support and associated fiscal consolidation, a more challenging external environment, and the slower-than-expected progress on the peace agenda.

**17. Inflation is expected to accelerate due to rising food and fuel prices.** Headline inflation is projected to reach 4 percent in 2022, 1½ percentage points higher from December 2021 projections before converging to around 2½ over the medium term.

**18. Due to food, fuel and budget support shocks, external balances would worsen.** The sharp deterioration in the terms of trade would weaken the trade balance by up to 3 percentage points of GDP compared to 2021. The non-disbursement of the 2021 budget support—initially expected for the first half of 2022—will widen the current account deficit and the overall balance of payments deficit to 11 percent and 5 percent of GDP in 2022, respectively. Over the medium term, the current account deficit is projected to gradually decline towards 6 percent of GDP. This reflects rising exports, more than offsetting the anticipated decline in official transfers. The financial account is expected to slowly improve with the resumption of foreign direct investment and other financial flows, contributing to a balance of payments surplus of 1.3-1.4 percent of GDP in the outer years.

**19. Protracted delays in the disbursement of budget support pose substantial risks.** A budget shortfall of about CFAF 47 billion (3 percent of GDP)—corresponding to the non-disbursement of the 2021 budget support from the World Bank and the EU—has already triggered fiscal consolidation. The 2022 budget support envelope also remains uncertain, pending donor agreement based on discussions that are still underway. Under baseline projections, staff assumes a disbursement of EU and World Bank budget support of CFAF 39.5 billion in the second half of the year. If budget support were not provided in 2022, the C.A.R. would exhaust all buffers by 2023. The state will face acute funding needs, a suspension of essential functions, and a high probability of accumulation of external arrears and ultimately debt distress. A standstill in budgetary support will also affect resumption of Fund financing under the ECF arrangement and complicate future Fund financing owing to the lack of financing assurances and the risks of accumulating external arrears.

**20. Prolonged global uncertainty would compound existing domestic vulnerabilities.** The war in Ukraine, rising international commodity prices, further disruptions in supply chains, and expected external demand slowdown would worsen macroeconomic imbalances. C.A.R.'s landlocked status amplifies these risks.

**21. Domestic risks revolve around security, inflation, and pandemic developments.** A resurgence of violence, the emergence of a new Covid-19 variant and fast-rising domestic prices, would significantly jeopardize the economic recovery with widespread humanitarian and social

consequences. On the upside, a faster implementation of structural reforms and a more rapid return to peace would enable higher inclusive growth.

**22. C.A.R.'s debt sustainability will be reassessed in the Second Review under the SMP.** The December 2020 DSA concluded that C.A.R. remained at high risk of external debt distress and overall high risk of debt distress. While solvency indicators for external debt remained below the thresholds, the liquidity indicators were breached under the baseline for two years through 2024. The sensitivity of debt indicators to standard stress tests, the increased uncertainty of the economic outlook owing to the pandemic, a volatile security environment, and sizeable contingent liabilities are all considerations that supported the high-risk assessment. Moreover there is heightened risk from increasing debt service, including repayments to the Fund, from 2024 onwards. Staff will conduct a debt sustainability analysis in the context of the Second Review under the SMP.

**23. The authorities concurred with staff on the outlook, risks, and policies.** On the outlook, the authorities saw stronger growth potential in the primary sector (agriculture and mining). They acknowledged the fragile debt dynamics and the dire consequences of a sudden stop in budget support. In light of the risks, they agreed to maintain a prudent fiscal policy stance while redoubling efforts to secure higher domestic revenue and reinforce fiscal transparency. They will continue discussing with donors to unlock much-needed budget support (MEFP ¶21, ¶22, ¶23, and ¶31).

## POLICY ISSUES AND DISCUSSIONS

*Policy discussions focused on: (i) strengthening engagement with the international community, including for the disbursement of much-needed donor budget support; (ii) successfully implementing the SMP to keep macroeconomic policies on a sustainable path; and (iii) elaborating contingency plans given remaining uncertainties.*

### A. Fiscal Policy

**24. The authorities are prudently executing the 2022 budget amid heightened uncertainty.** Faced with risks surrounding donor budget support and adverse terms of trade shocks, the authorities are executing the budget according to available resources. Prioritizing essential spending and strengthening revenue mobilization efforts are critical to preserving some buffers for future risks while avoiding ballooning domestic arrears.

**25. The oil price shock is expected to weigh on domestic revenue mobilization.** The C.A.R. is a landlocked net oil importer—fuel imports account for 30 percent of total goods imports—that has fixed domestic petroleum prices. The budget absorbs the gap whenever there is a surge in international fuel prices. Staff preliminary estimates suggest potential budgetary revenue losses of about CFAF 6 billion (0.4 percent of GDP)—compared to the December 2021 staff report

projections.<sup>2</sup> Revisions to the revenue projections incentivized the authorities to initiate revenue mobilization strategies across tax units. This includes setting up committees to consolidate and secure levies raised by agencies, and conducting stocktaking exercises to assess current tax expenditures (see ¶136 and MEFP, ¶130, ¶134).

**26. Higher food price shocks would impact the most vulnerable.** According to the Integrated Food Security Phase Classification (IPC) latest analysis, 43 percent of the C.A.R.'s population experience high levels of acute food insecurity. Fixed domestic petroleum prices are expected to cushion the pass-through of higher oil prices onto domestic food prices, thereby limiting the adverse impact on poverty. However, higher international food prices will directly and significantly hurt the poor as food imports are substantial and account for 17 percent of total goods imports in the C.A.R.

**27. Non-priority spending rationalization is warranted amid elevated risks.** Due to the shortfall in budget support in the first half of the year and downward pressures on domestic revenue mobilization, the authorities are committed to flexibly adjusting spending. They are also considering backloading domestic arrears clearance to respond to delay in donors' budget support disbursement, so that the end-March indicative target for domestic arrears clearance is adjusted downward, from CFAF 3 billion to zero (MEFP, ¶126). The rationalization of non-priority primary expenditure mainly domestically financed investment and goods and services by CFAF 9 billion (0.6 percent of GDP)—compared to the 2022 budget law—will be implemented, mainly through the first half of the year. This fiscal adjustment is sizable, targeted, and unavoidable considering the risks. It also follows the already sizable adjustment implemented in 2021 following the sharp deterioration in security.

**28. The authorities committed to a prudent financing of the budget deficit.** The fiscal consolidation efforts appropriately envisaged by the authorities would correspond to a reduction in the domestic primary fiscal deficit by 1.1 percentage point of GDP in 2022 and by 0.5 percentage point of GDP in 2023 (MEFP, ¶127). Staff supports the authorities' plans to frontload the use of CFAF 20 billion out of the remaining CFAF 49 billion of the SDR allocation and to cap new issuances of government securities at CFAF 15 billion (1 percent of GDP) in 2022 (MEFP, ¶128) so as not to endanger debt sustainability. These will help offset the shortfall in budget support in Q1 and maintain some buffers to cope with future funding risks.

**29. The authorities stand ready to implement a deeper adjustment if the outlook, including for budget support, worsens but at the risk of suspending basic public services.** Cascading shocks will weigh on public finances should negotiations with the donors on budget support remain inconclusive and global conditions worsen. A non-disbursement of budget support in 2022 would represent a 3 percentage points in GDP shock that could not be accommodated entirely by procyclical spending cuts. A lack of financing assurances from the donors and associated

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<sup>2</sup> Most of the impact of higher international oil prices on the budget is expected to be felt in the second half of 2022 when the second round of the oil import campaign via the Democratic Republic of Congo takes place.

debt sustainability concerns will delay a possible ECF-supported program resumption. Should these risks materialize, the authorities will submit a supplementary budget law to propose additional expenditure cuts while protecting social spending, and larger use of the remaining SDR allocation (MEFP, ¶129). Though the magnitude of the impact of this additional fiscal consolidation is not yet known, the authorities nevertheless warned that it will rapidly weigh on growth, the provision of basic public services and may not be enough to preserve debt sustainability. Furthermore, they concurred that the shock would create sizeable fiscal financing gaps from 2023 onwards.

## B. Structural Reforms

### Sharpening budget transparency, including to secure much-needed grant support

#### 30. The authorities intend to bolster transparency in response to some of the queries (MEFP, ¶132):

- Starting in March 2022, technical and financial partners will be invited to the monthly treasury committee meetings, which will facilitate closer monitoring of budget execution;
- In March 2022, the authorities will launch the call to hire experts who will be conducting a Public Expenditure and Financial Accountability evaluation for the years 2018 through 2020, in agreement with key donors. The results of this evaluation will be shared with all technical and financial partners;
- The authorities intend to provide information about the financing of security expenditures and commitments that ensure that budget support from donors is routed to development needs and the normal functioning of the state;
- The authorities are willing to explore with donors, alternative ways to maximize transparency in budget support. These could include mechanisms such as targeted budget support with funds earmarked for specific and measurable outcomes such as health or education, or the coverage of some other recurrent budget expenditure.

#### 31. The authorities will continue implementing other transparency reforms (MEFP, ¶136):

- The authorities will continue to publish the names of the companies that have benefited from transfers intended to help them cope with the Covid-19 pandemic and the criteria for their selection. They will maintain this transparency commitment going forward.
- The authorities will retroactively publish the names of the ultimate beneficiaries of public contracts worth at least CFAF 10 million, in line with the ministerial decree of August 4, 2021. Additionally, the authorities will continue making available all the information required by the ministerial decree on the website of the Ministry of Finance.



## Improving Public Finance Management (PFM)

### 32. **Curbing domestic arrears and preventing their repeated accumulation is imperative.**

Improving the management of domestic arrears is needed to reduce fiscal risks and adverse spillovers to the private sector. By the end of May 2022, the authorities have committed to auditing all remaining domestic arrears (MEFP, ¶133). They will also design and share with Fund staff in July, a strategy to clear remaining domestic arrears. The draft clearance plan consistent with the macroeconomic framework envisages clearing all domestic arrears by 2023. The strategy will include a detailed schedule for their clearance and agreeing on a clear criterion to be used when conducting the gradual repayments. This strategy will help avoid risks of favoritism and corruption related to the clearance of domestic arrears.

### 33. **The authorities are proceeding well with PFM reforms and initiatives** (MEFP, ¶135).

- The fiscal situation table for the last quarter of 2021<sup>3</sup> has been published online. It has been prepared in the format proposed by IMF staff, which allows for a more detailed and consistent analysis of the fiscal situation.
- The consolidation of the Single Treasury Account (TSA) is advancing at a good pace, thanks to the technical support provided by IMF staff. The draft agreement between BEAC and the Treasury for the management of the TSA is ready.
- The new digital application for the management of pension arrears is operational. This new system will put an end to the accumulation of arrears for new retirees by supporting them immediately after retirement.
- The authorities have prepared the terms of reference for a Fund TA mission that will begin in end-March 2022, whose objective is to take stock of the income received directly by the ministries and agencies, and that does not flow into the TSA.
- At the end of March 2022, a committee focusing on non-tax revenues will be set up. The committee will be composed of representatives from each economic sector. Its purpose is to establish various measures to eliminate anomalies in the collection of these revenues and the necessary provisions to ensure that the corresponding levies are deposited in the TSA.
- The interconnection of the Sygma-Systac software and the SimBa software, which should allow for better monitoring and execution of the budget, is not yet operational. However, the authorities committed to taking all necessary measures so that this system is fully deployed to monitor the execution of the budget from January 2023.

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<sup>3</sup> Available [here](#)

- In November 2021, the authorities published online the list of SOEs, their financial position, as well as the balance sheets and income statements of the companies ENERCA, SODECA, and SOCATEL at end-December 2020 and end 2019.<sup>4</sup>
- No public procurements related to COVID-19 have been assigned since the bill that enables public procurements has not yet been approved. However, the authorities undertake to follow the recommendations made by the Court of Auditors regarding the execution of the COVID-19 budget as soon as public procurement resumes. The monthly committee meetings did not take place due to the omicron wave, which led to the illness of some of the committee members.
- The government pledged to speed up the implementation of the rapid results action plan agreed with the Department of Public Finance, AFRITAC Central, and UNDP. This initiative is part of the preparation for the shift to program budget and accrual accounting. To this end, the government committed to ensure that the multi-year investment program and budget de-concentration are implemented by 2023. The adoption of the reference system of the state accounting standards, and the text related to the implementation of material accounting will be ensured by the end of 2022 to prepare for the change to accrual accounting and accelerate the work to settle the trial balance of the State accounts.

## Improving and Securing Domestic Revenues

### 34. The authorities are putting in place initiatives to strengthen revenue mobilization (MEFP, ¶134, ¶140):

- Progress was made towards the electronic declaration of taxes and customs duties. Training will be provided to prepare companies for using the online tax declaration system, which will allow all large companies to use the online declaration system from April 2022.
- An agreement of EUR 1 million was signed with the EU to adopt the new customs system ASYCUDA world. It will allow information to be securely exchanged between the system used by customs and that used by the tax department, thus facilitating the use of a single tax identification number (TIN). The call for tenders to acquire the technical equipment necessary for the development of this project has been launched, and the government will hire three consultants in charge of the migration to ASYCUDA world.
- Drawing on a recent African Development Bank's assessment of the size of tax expenditures in the C.A.R., the authorities have committed to start determining the necessary steps to eliminate inefficient exemptions.
- By the end of June 2022, final notifications will be sent to all importers and beneficiaries of public contracts that were not up to date with their tax obligations, which will allow the government to recover approximately CFAF 1.6 billion. A detailed action plan to recover some

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<sup>4</sup> Available [here](#), [here](#) and [here](#)

CFAF 327 million—corresponding to the balances due to be recovered as of December 31, 2021, from liable companies to whom final notifications were sent—will be presented to the Fund staff by end-March 2022. Additionally, the authorities will share with Fund staff monthly information on the outcome of controls made each month since March 2022. The authorities will also accelerate efforts to track the 247 companies not current with their tax obligations and that have not been located before March 31, 2022. The report on these location actions will be finalized by end-June 2022.

- With the support of technical and financial partners, the authorities will soon assess the economic costs and benefits of the current price structure of oil products sold in the domestic market at a fixed price. This workstream is of utmost importance given rising international oil prices and their substantial consequences for domestic revenues. (MEFP, ¶134). Given the substantial negative impact on revenues from higher international oil prices, considerations should be given to a domestic oil price structure that allows for greater pass-through of international prices and costs, while taking early steps to strengthen the social safety nets to minimize the impact on the most vulnerable. In the interim, and given rising oil prices, some temporary relief measures to smooth food and energy bills could be considered, within fiscal space limits.

## Other Reforms

### **35. The authorities are committed to preemptively addressing financial stability risks.**

The regional supervisor COBAC is taking supervisory actions to ensure that all banks operating in the C.A.R. are adequately capitalized. Furthermore, BEAC stands ready to provide additional liquidity to constrained banks within its operational framework (MEFP, ¶114). Staff calls for an immediate implementation of the COBAC rulings by the relevant banks, including on time-bound recapitalization and asset recovery efforts, to preemptively address risks while strengthening the banking sector.

### **36. IMF capacity development (CD) has been critical to implementing the reform agenda.**

This encompassed customs integrity, the establishment of a treasury single account, macroeconomic statistics and policy and governance. ICD CD to strengthen macroeconomic policymaking has complemented the area Department's efforts to integrate CD and surveillance. The Fund provided TA to support structural reforms envisaged under the current SMP, notably, the drafting of the anti-corruption law.

### **37. Strengthening the institutional framework is essential for the business climate.**

- The authorities will evaluate the relevance of the import conformity certificate to end the duplication of information and reduce the documentary burden on importers (MEFP, ¶134).
- The authorities continue to revise the mining code and incorporate the recommendations of technical and financial partners. They committed to sharing the revised draft with all technical partners before end March 2022, ahead of its submission to the National Assembly. The new

mining code will aim to comply fully with the recommendations from technical partners, including AML/CFT best practices and the CEMAC's foreign exchange regulations (MEFP, ¶138).

- The government made progress in implementing the recommendations of the National Economic and Financial Committee (CNEF). The draft statutes governing the arbitration and mediation center, and the arbitration chamber within the commercial court responsible for banking and financial disputes, were transmitted to COBAC for evaluation. The statutes of the debt recovery agency were adopted, while the financing plan will be discussed before end-June 2022 (MEFP, ¶138).

## PROGRAM MODALITIES AND RISKS

**38. Staff proposes a modification of end-March quantitative targets.** The thresholds for the quantitative criteria at end-March 2022 are proposed to be revised in light of updated macroeconomic projections and financing assumptions. The latter assumes the non-disbursement of the 2021 budgetary support in 2022Q1 and an adjustment in primary spending in 2022. The revised ceiling on domestic financing assumes a frontloading of the use of the SDR allocation and limited domestic bond issuance to cover residual funding needs in Q1 and Q2, respectively (Table 1 of the MEFP).

**39. Risks revolve around terms of trade and budget support developments.** A further increase in international oil prices will weigh on domestic revenues, potentially prompting higher spending compression to maintain debt sustainability. In addition, if budget support were not provided in 2022 and beyond, funding needs would balloon, threatening essential state functions and causing a significant hardship for the population. The risks of running external arrears will accelerate, including towards international financial institutions, with immediate implications for future access to Fund resources. The bridge from the SMP towards a financing arrangement with the Fund will therefore be highly compromised. Notwithstanding these risks, the authorities expressed preference for seeking an extension of the current ECF-supported program, financing assurances permitting.

**40. An update safeguards assessment of BEAC in 2022 is being finalized.** Preliminary findings indicate that BEAC has maintained strong governance arrangements following legal reforms in 2017. BEAC also completed its multi-year initiative in 2019 to transition to International Financial Reporting Standards, strengthening its financial reporting practices. The external audit arrangements continue to be robust. Nonetheless, the internal audit mechanism faces capacity constraints and is not yet fully aligned to international practices. BEAC also needs to strengthen its risk management and develop a business continuity plan and cyber resilience.

**41. C.A.R.'s capacity to repay the Fund is subject to significant downside risks, mostly associated with the country's high exposure to Fund resources.** These risks stem from the facts that: (i) C.A.R. remains at high risk of debt distress; (ii) there are protracted delays of budget support;

iii) the Fund accounts for the largest share of external debt (35 percent in 2021); and (iv) debt repayments to the Fund are significant in the coming years and will peak in 2026 at 13.2 percent of domestic revenue. They are mitigated by C.A.R. being part of a monetary union (which gives it access to CEMAC's pool of reserves provided it has budgetary resources to purchase them) and the upside potential from peace and stability. Given C.A.R.'s deep-rooted challenges, the country will need continued engagement of the international community.

## STAFF APPRAISAL

**42. The economy is gradually recovering from a challenging security environment.** Gradual improvements in security allowed the reopening of the vital Douala-Bangui trade corridor and enabled recovery in production and trade while inflation pressures abated. Covid-19 vaccination efforts are underway, albeit slower due to storage capacity issues and hesitancy. The launch of the "Republican dialogue", if successful, could help accelerate peace.

**43. Implementation of the SMP at end-December 2021 was satisfactory.** Thanks to a slightly higher revenue mobilization and improved expenditure execution, the authorities met all quantitative targets and brought social spending above target, providing welcome support to the poor. However, they missed two indicative targets on domestic arrear clearance and spending through exceptional circumstances due to monitoring weaknesses.

**44. The end-March SMP targets are within reach.** The slower pace of spending over the first months of 2022 and a prudent domestic financing mix would help the authorities meet end-March quantitative targets and maintain a viable budget execution in the first half of the year in the face of acute uncertainty. The authorities have implemented the remaining two structural benchmarks. The draft anti-corruption bill was submitted to the National Assembly. The interconnection between the customs system ASYCUDA++ and e-Douanes is now operational and will be strengthened. Other reforms in revenue mobilization, public finance management, and governance are progressing as envisaged.

**45. The sizable terms of trade shocks and uncertainties about budget support are clouding the outlook.** The C.A.R. is particularly vulnerable to elevated commodity prices as a net fuel and food importer, coupled with its landlocked status. The authorities are appropriately addressing the net impact of the negative food and oil price shocks through expenditure re-prioritization. In addition, delays in budget support from development partners if continued would rapidly erode policy space. The authorities have a contingency plan for addressing possible budget support shortfalls in 2022 but further fiscal restraint would have significant negative macroeconomic and social implications, undermining basic government services.

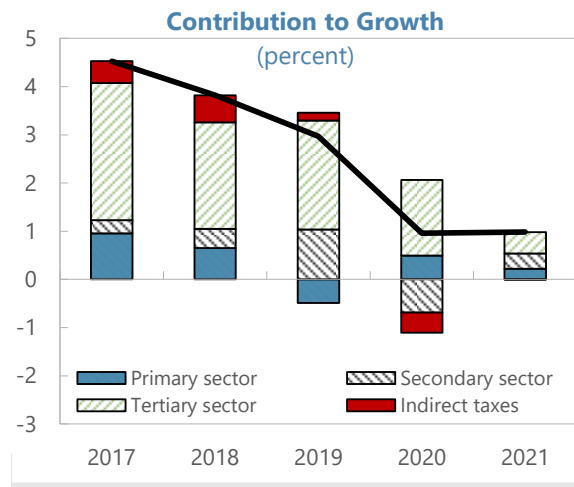
**46. With downside risks mounting, the authorities must intensify dialogue with donors.** Staff welcomes the commitment to bolster budget transparency via the reinstatement of monthly treasury meetings, the agreement on PEFA, the consolidation of the TSA, and the reform of the

mining code. The authorities' openness to consider other avenues for the disbursement of budget support is critical to keep the window open for external funding and secure financing assurances that will be paramount for a possible transition to a Fund financing arrangement and for future Fund financing.

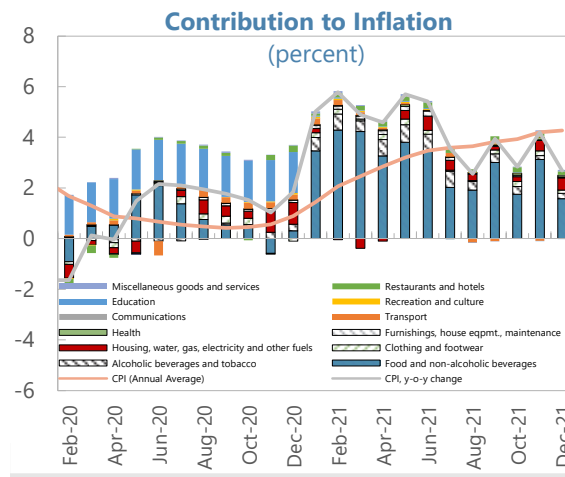
**47. Staff supports the completion of the First Review under the SMP and proposes to modify at the authorities' request, end-March 2022 targets.** The C.A.R. has met all end-December 2021 quantitative and structural benchmarks but missed two indicative targets. For the latter, the authorities intend to take remedial action. Regarding the Second Review under the SMP, staff supports the modification of end-March quantitative benchmarks to account for the sizable shortfall in donor budget support anticipated for Q1 and the severity of the terms of trade shock.

**Figure 1. Central African Republic: Recent Developments**

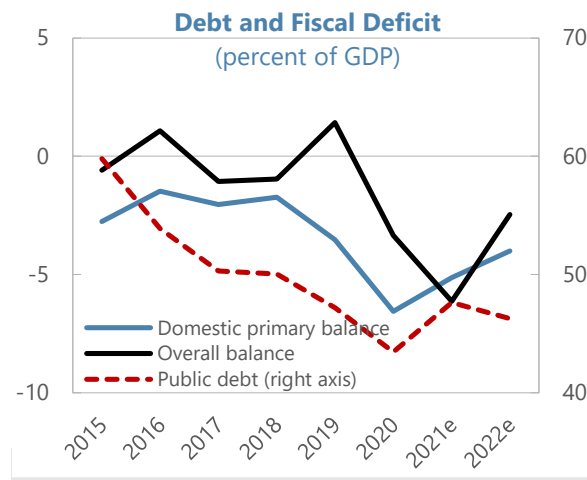
As the deterioration of security environment did not allow for a post-pandemic rebound, growth is expected to remain limited to 1 percent in 2021.



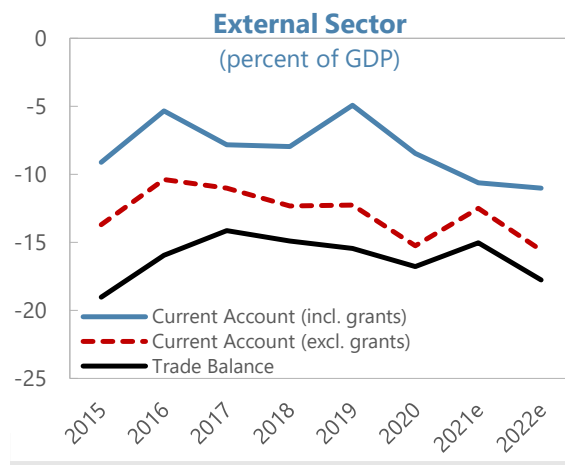
The closure of the trade corridor with Cameroon contributed to higher inflation in the first half of the year, which started abating in July.



While the domestic primary balance started improving in 2021, public debt increased owing to the heavy reliance on bridge financing from commercial banks and the use of the SDR allocation for budget support.



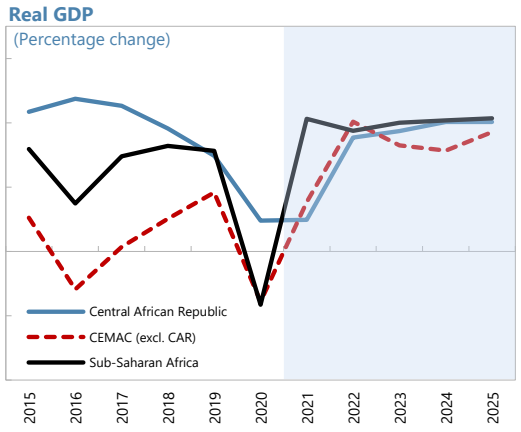
The current account deficit (including grants) deteriorated in 2021, owing mainly to the non-disbursement of budget support.



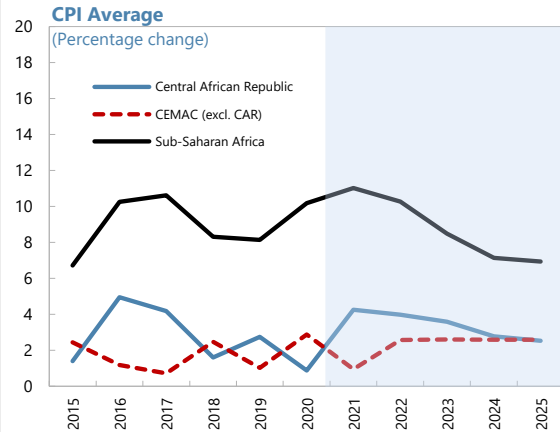
Source: C.A.R. Authorities and IMF Staff estimates

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

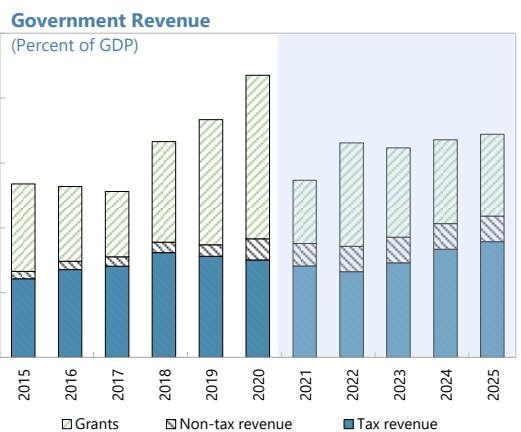
While recovering during the second half of the year, real GDP would grow by only 1 percent in 2021, before gradually accelerating from 2022.



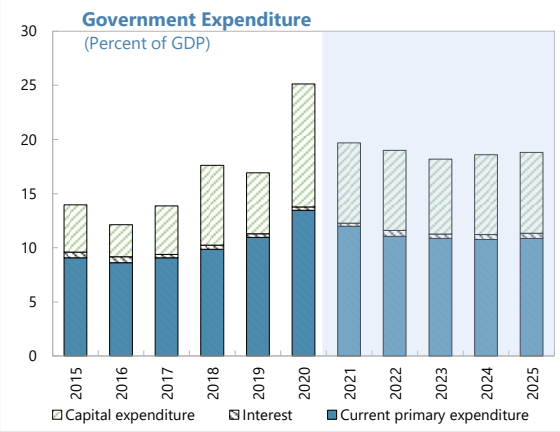
Inflation is expected to accelerate again due to surging import prices, before stabilizing in the medium term.



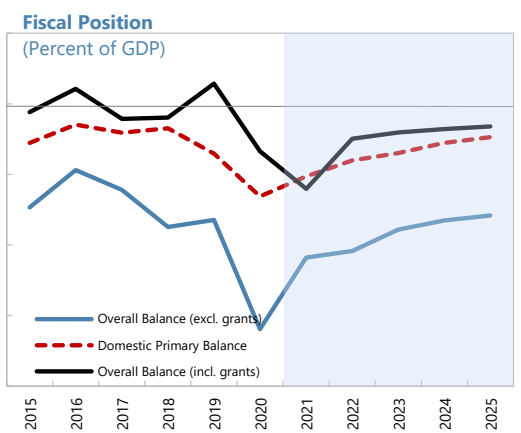
Total revenues are not expected to increase significantly over the medium term as the increase in domestic revenue may be offset by gradual decline in grant financing...



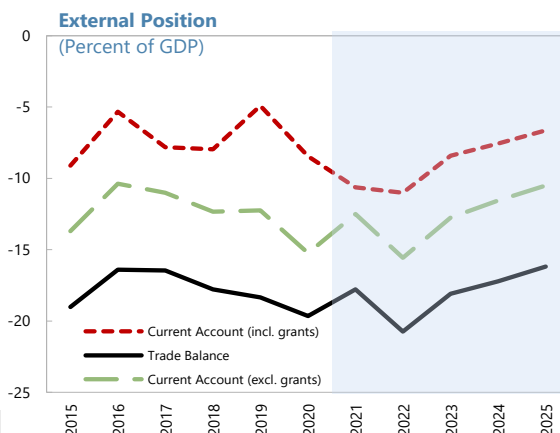
...limiting the space to increase spending.



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



The current account balance is also expected to decline before converging over the medium term.



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



**Table 1. Central African Republic: Selected Economic and Financial Indicators, 2019–2026**

	2019	2020		2021		2022	2023	2024	2025	2026
	Est.	ECF	Est.	ECF	SMP Proj.	Proj.				
(Annual percentage change; unless otherwise indicated)										
National income and prices										
GDP at constant prices	3.0	0.0	1.0	3.5	1.0	3.5	3.7	4.0	4.0	4.0
GDP per capita at constant prices	1.3	-1.8	-0.8	1.5	-1.0	1.6	1.7	2.0	2.1	1.9
GDP at current prices	5.5	1.9	2.8	6.1	4.3	7.5	7.4	6.8	6.6	6.6
GDP deflator	2.4	2.0	1.9	2.5	3.3	3.8	3.5	2.6	2.5	2.5
CPI (annual average) <sup>1</sup>	2.8	2.1	0.9	1.8	4.3	4.0	3.6	2.8	2.5	2.5
CPI (end-of-period)	-2.0	3.0	1.8	2.5	2.7	5.4	2.4	2.5	2.5	2.5
Money and credit										
Broad money	8.9	7.5	11.5	10.3	14.6	2.3	3.3	3.2	5.3	4.7
Credit to the economy	-1.0	-3.0	8.5	5.0	14.6	9.0	9.0	8.4	8.0	8.0
External sector										
Export volume of goods	-6.7	-3.1	9.4	8.2	-5.3	9.8	9.0	5.2	9.0	5.4
Import volume of goods	10.5	-0.8	1.8	0.1	-11.2	0.1	5.1	8.5	8.2	4.9
Terms of trade	14.0	-19.6	-21.6	5.3	0.2	-15.5	12.3	11.2	8.4	3.1
(Percent of GDP; unless otherwise indicated)										
Gross national savings										
Of which: current official transfers	6.0	5.7	5.1	3.7	0.0	2.6	2.3	2.0	1.9	1.7
Gross domestic savings	-3.7	-0.8	-0.8	-1.2	-2.1	-4.4	-1.6	0.2	1.8	2.8
Government	-2.5	-4.5	-4.5	-2.3	-3.4	-2.9	-1.9	-0.7	-0.3	0.1
Private sector	-1.2	3.8	3.7	1.1	1.3	-1.5	0.2	0.9	2.1	2.7
Consumption	103.7	100.8	100.8	101.2	102.1	104.4	101.6	99.8	98.2	97.2
Government	8.0	9.0	9.6	8.0	9.1	7.8	7.7	7.5	7.5	7.7
Private sector	95.6	91.7	91.2	93.2	92.9	96.6	93.9	92.4	90.7	89.5
Gross investment	14.7	18.6	18.9	15.8	15.7	16.3	16.5	17.4	18.0	18.4
Government	5.6	11.1	11.3	7.5	7.4	7.4	6.9	7.4	7.5	7.3
Private sector	9.0	7.5	7.5	8.3	8.3	8.9	9.5	10.0	10.5	11.1
External current account balance										
with grants	-4.9	-7.6	-8.5	-6.1	-10.6	-11.0	-8.4	-7.6	-6.6	-6.2
without grants	-12.3	-15.0	-15.2	-11.7	-12.5	-15.6	-12.8	-11.6	-10.5	-9.9
Overall balance of payments	-1.1	-0.3	-1.2	-0.2	0.5	-5.2	-2.5	0.2	1.2	1.1
Central government finance										
Total revenue (including grants)	18.3	21.8	21.8	18.0	13.7	16.5	16.2	16.8	17.2	17.3
of which: domestic revenue	8.7	8.5	9.2	9.3	8.8	8.6	9.3	10.3	10.9	11.4
Total expenditure <sup>2</sup>	16.9	24.3	25.1	19.3	19.7	19.0	18.2	18.6	18.8	18.7
of which: capital spending	5.6	11.1	11.3	7.5	7.4	7.4	6.9	7.4	7.5	7.3
Overall balance										
Excluding grants	-8.2	-15.8	-16.0	-10.0	-10.9	-10.4	-8.9	-8.3	-7.9	-7.4
Including grants	1.4	-2.5	-3.4	-1.3	-6.0	-2.5	-2.0	-1.8	-1.6	-1.4
Domestic primary balance <sup>3</sup>	-3.5	-6.2	-6.6	-4.0	-5.1	-4.0	-3.5	-2.8	-2.4	-2.1
Public sector debt <sup>4</sup>										
Of which: domestic debt <sup>5</sup>	11.1	9.5	9.4	7.1	13.2	13.5	14.1	14.0	13.9	13.8
Of which: external debt	36.1	37.3	34.0	36.9	34.4	32.7	30.6	29.3	28.2	27.0
Memorandum items:										
GDP per capita (US dollars)	480	481	494	525	525	527	562	594	627	659
Nominal GDP (CFAF billions)	1,335	1,360	1,373	1,443	1,432	1,539	1,652	1,764	1,881	2,005

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

<sup>1</sup> Revision of CPI weights and transition to COICOP was performed starting from 2020. Therefore, there is a structural break in the series for 2019.<sup>2</sup> Expenditure is on a cash basis.<sup>3</sup> Excludes grants, interest payments, and externally-financed capital expenditures.<sup>4</sup> The changes in domestic debt estimates reflect a correction of the estimates reported in the RCF' staff report tables, which had not been updated. This did not affect the debt sustainability analysis.<sup>5</sup> Comprises government debt to BEAC, commercial banks, and government arrears.

**Table 2a. Central African Republic: Central Government Financial Operations, 2019–2026**  
(Billions CFAF)

	2019	2020		2021		2022	2023	2024	2025	2026
	Est.	ECF	Est.	ECF	SMP Proj.		Proj.			
<b>Revenue</b>	244.8	296.2	298.6	259.4	195.7	254.5	266.9	296.2	323.5	346.6
Domestic revenue	116.1	115.7	125.7	133.9	125.9	131.9	153.1	182.0	205.0	227.8
Tax revenue	104.1	96.3	103.3	109.6	101.1	101.7	120.7	147.2	167.8	188.2
Income and property tax	23.5	26.3	28.0	30.4	28.7	28.5	33.0	42.5	46.8	52.5
Taxes on goods and services	54.3	44.9	48.5	49.9	46.1	45.5	55.5	66.9	77.1	86.3
Of which: VAT	34.4	20.9	21.1	23.2	20.9	21.0	26.7	32.3	37.5	42.1
Taxes on international trade	26.2	25.1	26.8	29.3	26.3	27.7	32.2	37.8	44.0	49.4
Non-tax revenue	12.0	19.4	22.4	24.4	24.8	30.2	32.4	34.8	37.2	39.6
Grants	128.7	180.5	172.9	125.4	69.8	122.6	113.8	114.2	118.5	118.7
Program	80.2	77.7	70.1	53.3	0.0	39.5	38.5	35.0	35.0	35.0
Project	48.5	102.8	102.8	72.1	69.8	83.1	75.3	79.2	83.5	83.7
<b>Expenditure <sup>1</sup></b>	225.8	330.2	344.7	278.3	281.9	292.5	300.4	327.8	353.6	375.4
Current primary expenditure	146.1	174.7	184.8	164.8	171.6	170.2	179.3	190.1	204.5	219.3
Wages and salaries	65.1	71.4	80.1	72.1	81.2	79.4	81.9	83.7	90.3	96.2
Transfers and subsidies	38.9	51.7	53.0	48.8	40.7	50.1	51.9	58.1	62.6	65.9
Goods and services	42.2	51.6	51.7	43.9	49.7	40.7	45.6	48.2	51.6	57.3
Interest	4.6	4.9	4.2	5.0	4.0	8.4	6.8	7.8	8.7	9.7
External	2.0	2.3	1.7	2.3	1.4	2.5	2.4	2.8	2.9	2.7
Domestic	2.7	2.6	2.6	2.7	2.6	5.9	4.4	5.0	5.8	7.0
Capital expenditure	75.0	150.6	155.7	108.5	106.3	113.9	114.2	129.9	140.5	146.4
Domestically financed	17.1	25.5	31.0	27.5	27.7	23.3	31.5	40.7	45.1	50.0
Externally financed	58.0	125.1	124.7	81.0	78.6	90.6	82.8	89.2	95.4	96.4
<b>Overall balance</b>										
Excluding grants	-109.7	-214.6	-219.1	-144.3	-156.0	-160.6	-147.2	-145.8	-148.6	-147.6
Of which: domestic primary balance <sup>2</sup>	-47.1	-84.6	-90.1	-58.3	-73.5	-61.6	-57.6	-48.7	-44.5	-41.5
Including grants	19.0	-34.0	-46.1	-18.9	-86.2	-38.0	-33.5	-31.6	-30.1	-28.9
Primary balance	81.6	95.9	82.8	67.1	-3.7	61.0	56.1	65.5	74.0	77.2
<b>Net change in arrears ((-) = reduction)</b>										
Domestic	-28.5	-18.8	-14.4	-23.8	-11.4	-14.6	-4.1	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Errors and omissions</b>	0.1	0.0	-1.5	0.0	-0.5	0.0	0.0	0.0	0.0	0.0
<b>Overall balance, cash basis</b>	-9.4	-52.9	-62.0	-42.6	-98.1	-52.6	-37.6	-31.6	-30.1	-28.9
<b>Identified financing</b>	9.4	52.9	62.0	42.6	98.1	52.6	37.6	31.6	30.1	28.9
External, net	3.8	17.7	18.6	3.2	4.9	0.5	3.6	38.0	43.9	43.7
Project loans	9.5	22.3	21.9	8.8	8.8	7.5	7.5	10.0	11.8	12.6
Program loans <sup>3</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35.0	40.0	40.0
Amortization	-5.7	-6.8	-5.4	-5.6	-5.6	-6.3	-2.9	-6.1	-7.7	-8.6
Exceptional financing (DSSI)	0.0	2.2	2.1	0.0	1.7	-0.7	-1.0	-1.0	-0.3	-0.3
Domestic, net	5.6	35.2	43.4	39.4	93.2	52.1	34.0	-6.3	-13.8	-14.8
Banking system	5.6	30.5	38.7	33.9	87.9	48.2	34.0	-10.3	-15.8	-17.6
BEAC	5.1	33.4	41.8	36.9	60.9	33.2	34.0	-20.3	-30.8	-32.6
Loans	0.5	0.0	-1.7	0.0	0.4	0.0	0.0	0.0	-2.2	-2.2
Use of SDR allocation	0.0	0.0	0.0	0.0	35.0	20.0	29.0	0.0	0.0	0.0
Counterpart to IMF credits (BEAC)	11.1	27.2	27.0	33.2	14.2	12.5	5.2	-20.9	-26.6	-30.0
Deposit withdrawals	-6.4	6.2	16.5	3.7	11.3	0.7	-0.2	0.6	-2.0	-0.5
Commercial banks	0.4	-3.0	-3.1	-3.1	27.0	15.0	0.0	10.0	15.0	15.0
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	2.0	2.8
Exceptional financing (CCRT) <sup>4</sup>	0.0	4.7	4.7	5.6	3.5	3.9	0.0	0.0	0.0	0.0
Privatization receipts	0.0	0.0	0.0 #	0.0	1.8	1.8	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memorandum items:</b>										
Primary Spending	163.2	200.3	215.8	192.3	199.3	193.5	210.8	230.7	249.5	269.4
Total government debt	629.4	636.8	596.1	636.1	681.8	711.9	738.9	764.5	791.9	817.9
Government domestic currency debt <sup>5</sup>	147.8	129.8	129.3	103.0	189.6	208.0	232.9	246.9	261.7	277.3
Nominal GDP	1,335	1,360.0	1,373	1,443	1,432	1,539	1,652	1,764	1,881	2,005

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

<sup>1</sup> Expenditure is on a cash basis.

<sup>2</sup> Excludes grants, interest payments, and externally-financed capital expenditure.

<sup>3</sup> Budget support loans to be identified from 2023 to 2024.

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

<sup>5</sup> Comprises government debt to BEAC, commercial banks, and government arrears.

**Table 2b. Central African Republic: Central Government Financial Operations, 2019–2026**  
(Percent GDP)

	2019	2020		2021		2022	2023	2024	2025	2026
	Est.	ECF	Proj.	ECF	SMP Proj.		Proj.			
Revenues	18.3	21.8	21.8	18.0	13.7	16.5	16.2	16.8	17.2	17.3
Domestic revenue	8.7	8.5	9.2	9.3	8.8	8.6	9.3	10.3	10.9	11.4
Tax revenue	7.8	7.1	7.5	7.6	7.1	6.6	7.3	8.3	8.9	9.4
Income and property tax	1.8	1.9	2.0	2.1	2.0	1.9	2.0	2.4	2.5	2.6
Taxes on goods and services	4.1	3.3	3.5	3.5	3.2	3.0	3.4	3.8	4.1	4.3
Of which: VAT	2.6	1.5	1.5	1.6	1.5	1.4	1.6	1.8	2.0	2.1
Taxes on international trade	2.0	1.8	2.0	2.0	1.8	1.8	2.0	2.1	2.3	2.5
Non-tax revenue	0.9	1.4	1.6	1.7	1.7	2.0	2.0	2.0	2.0	2.0
Grants	9.6	13.3	12.6	8.7	4.9	8.0	6.9	6.5	6.3	5.9
Program	6.0	5.7	5.1	3.7	0.0	2.6	2.3	2.0	1.9	1.7
Project	3.6	7.6	7.5	5.0	4.9	5.4	4.6	4.5	4.4	4.2
Expenditure <sup>1</sup>	16.9	24.3	25.1	19.3	19.7	19.0	18.2	18.6	18.8	18.7
Current primary expenditure	10.9	12.8	13.5	11.4	12.0	11.1	10.9	10.8	10.9	10.9
Wages and salaries	4.9	5.3	5.8	5.0	5.7	5.2	5.0	4.7	4.8	4.8
Transfers and subsidies	2.9	3.8	3.9	3.4	2.8	3.3	3.1	3.3	3.3	3.3
Goods and services	3.2	3.8	3.8	3.0	3.5	2.6	2.8	2.7	2.7	2.9
Interest	0.3	0.4	0.3	0.3	0.3	0.5	0.4	0.4	0.5	0.5
External	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.2	0.1
Domestic	0.2	0.2	0.2	0.2	0.2	0.4	0.3	0.3	0.3	0.3
Capital expenditure	5.6	11.1	11.3	7.5	7.4	7.4	6.9	7.4	7.5	7.3
Domestically financed	1.3	1.9	2.3	1.9	1.9	1.5	1.9	2.3	2.4	2.5
Externally financed	4.3	9.2	9.1	5.6	5.5	5.9	5.0	5.1	5.1	4.8
Overall balance										
Excluding grants	-8.2	-15.8	-16.0	-10.0	-10.9	-10.4	-8.9	-8.3	-7.9	-7.4
Of which: domestic primary balance <sup>2</sup>	-3.5	-6.2	-6.6	-4.0	-5.1	-4.0	-3.5	-2.8	-2.4	-2.1
Including grants	1.4	-2.5	-3.4	-1.3	-6.0	-2.5	-2.0	-1.8	-1.6	-1.4
Net change in arrears ((-) = reduction)	-2.1	-1.4	-1.0	-1.6	-0.8	-0.9	-0.2	0.0	0.0	0.0
Domestic	-2.1	-1.4	-1.0	-1.6	-0.8	-0.9	-0.2	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis	-0.7	-3.9	-4.5	-3.0	-6.9	-3.4	-2.3	-1.8	-1.6	-1.4
Identified financing	0.7	3.9	4.5	3.0	6.9	3.4	2.3	1.8	1.6	1.4
External, net	0.3	1.3	1.4	0.2	0.3	0.0	0.2	2.2	2.3	2.2
Project loans	0.7	1.6	1.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6
Program loans <sup>3</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.1	2.0
Amortization	-0.4	-0.5	-0.4	-0.4	-0.4	-0.4	-0.2	-0.3	-0.4	-0.4
Exceptional financing (DSSI)	0.0	0.2	0.1	0.0	0.1	0.0	-0.1	-0.1	0.0	0.0
Domestic, net	0.4	2.6	3.2	2.7	6.5	3.4	2.1	-0.4	-0.7	-0.7
Banking system	0.4	2.2	2.8	2.3	6.1	3.1	2.1	-0.6	-0.8	-0.9
BEAC	0.4	2.5	3.0	2.6	4.3	2.2	2.1	-1.2	-1.6	-1.6
Loans	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Use of SDR allocation	0.0	0.0	0.0	0.0	2.4	1.3	1.8	0.0	0.0	0.0
Counterpart to IMF credits (BEAC)	0.8	2.0	2.0	2.3	1.0	0.8	0.3	-1.2	-1.4	-1.5
Deposit withdrawals	-0.5	0.5	1.2	0.3	0.8	0.0	0.0	0.0	-0.1	0.0
Commercial banks	0.0	-0.2	-0.2	-0.2	1.9	1.0	0.0	0.6	0.8	0.7
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1
Exceptional financing (CCRT) <sup>4</sup>	0.0	0.3	0.3	0.4	0.2	0.3	0.0	0.0	0.0	0.0
Privatization receipts	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>										
Primary Spending	12.2	14.7	15.7	13.3	13.9	12.6	12.8	13.1	13.3	13.4
Total government debt	47.2	46.8	43.4	44.1	47.6	46.3	44.7	43.3	42.1	40.8
Government domestic debt <sup>5</sup>	11.1	9.5	9.4	7.1	13.2	13.5	14.1	14.0	13.9	13.8

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

<sup>1</sup> Expenditure is on a cash basis.

<sup>2</sup> Excludes grants, interest payments, and externally-financed capital expenditure.

<sup>3</sup> Budget support loans to be identified from 2023 to 2024

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

<sup>5</sup> Comprises government debt to BEAC, commercial banks, and government arrears.

**Table 2c. Central African Republic: Central Government Financial Operations, Quarterly Fiscal Projections, 2022**  
(Billions CFAF)

	2022			
	Q1	Q2	Q3	Q4
	Proj.			
<b>Revenue</b>	<b>53.8</b>	<b>53.7</b>	<b>93.3</b>	<b>53.7</b>
Domestic revenue	33.0	33.0	33.0	33.0
Grants	20.8	20.8	60.3	20.8
Budget Support	0.0	0.0	39.5	0.0
Project Grants	20.8	20.8	20.8	20.8
<b>Expenditure</b>	<b>68.1</b>	<b>68.1</b>	<b>81.1</b>	<b>75.1</b>
Primary expenditure	43.4	43.4	56.4	50.4
Interest	2.1	2.1	2.1	2.1
Externally financed capital spending	22.6	22.6	22.6	22.6
<b>Overall balance</b>				
Excluding grants	-35.1	-35.2	-48.2	-42.2
Of which: domestic primary balance	-10.4	-10.4	-23.4	-17.4
Including grants	<b>-14.4</b>	<b>-14.4</b>	<b>12.1</b>	<b>-21.4</b>
Net change in arrears ((-) = reduction)	0.0	-7.3	0.0	-7.3
<b>Overall balance, cash basis</b>	<b>-14.4</b>	<b>-21.7</b>	<b>12.1</b>	<b>-28.7</b>
<b>External financing, net</b>	<b>-0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
<b>Domestic financing, net</b>	<b>14.8</b>	<b>21.4</b>	<b>-12.4</b>	<b>28.4</b>
Of which: use of SDR allocation	20.0	0	0.0	0.0
Commercial banks borrowing, ne	0.0	15	0.0	0.0
Privatization receipts	1.8	0.0	0.0	0.0
Exceptional financing (CCRT)	3.9	0.0	0.0	0.0

Source: C.A.R. Authorities.

Table 3. Central African Republic: Monetary Survey, 2019–2026

	2019	2020	2021				2022				2023	2024	2025	2026
	Est.	Est.	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Proj.	Proj.	Proj.	Proj.
			Proj.	Proj.	Proj.	SMP Proj.	Proj.	Proj.	Proj.	SMP Proj.				
(CFAF billions, unless otherwise indicated)														
Net foreign assets	89.5	88.7	64.7	56.9	65.1	72.0	65.2	47.5	32.2	0.5	-35.0	-25.6	4.1	32.6
Bank of Central African States (BEAC)	37.4	49.2	20.2	1.4	-2.0	-11.1	-17.9	-35.6	-50.8	-86.2	-128.0	-124.9	-101.8	-80.3
Foreign Assets	214.4	242.5	236.5	214.1	313.7	291.9	279.3	259.9	239.8	225.7	189.0	171.2	167.8	159.2
Foreign Liabilities	177.0	193.3	216.3	212.8	300.8	303.0	297.2	295.5	290.6	311.9	317.1	296.2	269.5	239.5
SDR allocation	43.3	41.4	42.3	42.0	127.8	130.0	130.0	130.0	127.8	130.0	130.0	130.0	130.0	130.0
Use of IMF credit	130.6	150.2	172.2	168.7	171.1	170.6	168.4	166.7	164.0	183.1	188.3	167.4	140.8	110.8
Other foreign liabilities	3.2	1.7	0.1	0.3	0.0	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Commercial banks	52.2	39.5	44.4	55.6	67.2	83.0	83.0	83.0	83.0	86.7	93.0	99.3	105.9	112.9
Net domestic assets	284.0	327.7	359.2	353.5	356.7	405.1	383.1	395.5	416.0	487.6	539.0	545.7	543.7	541.0
Domestic credit	385.4	436.5	460.9	454.6	463.3	522.0	492.0	500.3	518.8	588.4	642.2	651.8	656.8	661.6
Credit to the public sector	223.4	260.7	284.0	277.9	277.1	320.7	331.5	351.2	337.0	368.8	402.8	392.5	376.7	359.0
Credit to central government (net)	223.4	260.7	284.0	277.9	277.1	320.7	331.5	351.2	337.0	368.8	402.8	392.5	376.7	359.0
BEAC	212.5	252.9	280.5	266.9	273.3	313.5	324.4	329.0	314.9	346.7	380.6	360.3	329.5	296.9
Loans	116.4	114.7	115.6	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	112.8	110.7
Use of SDR allocation	0.0	0.0	0.0	0.0	0.0	35.0	55.0	55.0	55.0	55.0	84.0	84.0	84.0	84.0
IMF credit (net)	130.6	150.2	172.2	168.7	171.1	170.6	168.4	166.7	164.0	183.1	188.3	167.4	140.8	110.8
Deposits	-34.5	-12.0	-7.3	-16.8	-12.8	-7.1	-14.1	-7.7	-19.2	-6.4	-6.7	-6.1	-8.1	-8.6
Commercial banks	10.9	7.8	3.4	11.0	3.8	7.2	7.2	22.2	22.2	22.2	22.2	32.2	47.2	62.2
Credit to the economy	162.0	175.8	177.0	176.7	186.2	201.4	160.4	149.1	181.8	219.5	239.3	259.4	280.2	302.6
Public enterprises	4.4	8.5	8.5	9.1	12.2	11.9	8.5	9.1	9.1	11.9	11.9	11.9	11.9	11.9
Private sector	157.6	167.3	168.5	167.6	174.0	189.5	151.9	140.0	172.7	207.6	227.5	247.5	268.3	290.7
Other items (net)	-101.4	-108.8	-101.7	-101.1	-106.6	-117.0	-108.9	-104.8	-102.8	-100.7	-103.1	-106.1	-113.1	-120.6
Money and quasi-money	373.5	416.4	415.0	410.5	421.8	477.1	448.3	443.0	448.3	488.1	504.0	520.1	547.8	573.6
Currency	192.6	210.5	207.7	213.7	218.0	239.1	217.7	243.7	233.0	262.0	267.3	275.4	303.2	313.8
Deposits	181.0	205.9	207.2	196.8	203.9	238.0	230.5	199.3	215.3	226.1	236.7	244.8	244.6	259.8
Demand deposits	118.5	137.9	136.5	124.6	130.6	163.3	155.9	124.6	140.6	158.5	164.2	167.3	178.3	183.1
Term and savings deposits	62.5	67.9	70.8	72.2	73.2	74.7	74.7	74.7	74.7	67.6	72.6	77.5	66.3	76.6
(Annual percentage change)														
Net foreign assets	17.3	-0.9	91.5	-26.6	-20.0	-18.8	0.8	-16.6	-50.5	-99.3	-7420.4	-26.9	-116.2	688.3
Net domestic assets	6.5	15.4	30.0	17.4	18.3	23.6	6.6	11.9	16.6	20.4	10.5	1.2	-0.4	-0.5
Monetary base	0.3	20.7	20.5	0.1	-5.1	2.5	0.4	13.4	11.4	7.5	7.4	6.8	6.6	6.6
Credit to the economy	-1.0	8.5	2.8	9.6	5.4	14.6	-9.4	-15.6	-2.3	9.0	9.0	8.4	8.0	8.0
Public enterprises	23.3	93.8	75.2	82.0	48.2	39.6	0.0	0.0	-25.0	0.0	0.0	0.0	0.0	0.0
Private sector	-1.5	6.1	0.7	7.3	3.3	13.3	-9.8	-16.4	-0.8	9.6	9.6	8.8	8.4	8.4
<i>Memorandum items:</i>														
NDA of the central bank (CFAF billions)	190.2	225.5	260.1	246.9	254.7	292.6	299.4	317.1	332.3	388.8	452.9	471.8	471.5	474.5
Monetary base (CFAF billions)	227.5	274.7	280.3	248.2	252.7	281.5	281.5	281.5	302.6	324.8	346.8	369.8	394.2	
Nominal GDP (CFAF billions)	1335	1373	...	...	...	1432	...	...	...	1539	1652	1764	1881	2005
Velocity (GDP/broad money)														
End of period	3.6	3.3	...	...	...	3.0	...	...	...	3.2	3.3	3.4	3.4	3.5

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

Table 4a. Central African Republic: Balance of Payments, 2019–2026 (Billions CFAF)

	2019	2020		2021		2022	2023	2024	2025	2026
	Est.	ECF	Proj.	ECF	SMP Proj.	Projections				
Current account	-65.7	-102.9	-116.1	-88.1	-152.1	-169.4	-139.2	-133.5	-124.8	-123.8
Balance on goods	-206.0	-224.0	-230.4	-207.9	-215.3	-273.3	-257.5	-254.5	-257.6	-272.4
Exports, f.o.b.	94.1	76.7	82.7	85.0	84.8	97.0	113.1	124.9	144.6	161.6
of which: Diamonds	2.8	2.2	3.8	3.1	6.9	9.6	13.8	19.7	26.0	31.4
of which: Wood products	58.0	46.5	50.6	53.4	48.3	55.3	63.3	66.7	75.0	81.5
Imports, f.o.b.	-300.1	-300.7	-313.1	-293.0	-300.1	-370.3	-370.6	-379.4	-402.2	-434.1
of which: Petroleum products	-91.3	-63.6	-65.6	-65.2	-87.9	-128.4	-111.0	-105.8	-103.5	-103.5
Services (net)	-38.7	-39.6	-39.3	-37.8	-39.2	-45.8	-41.2	-49.2	-46.9	-39.1
Credit	116.1	108.6	108.9	119.9	104.7	108.4	123.3	126.5	151.8	163.9
Debit	-154.8	-148.2	-148.2	-157.7	-143.9	-154.2	-164.6	-175.7	-198.7	-203.1
Income (net)	-1.9	-2.2	-1.6	-2.1	-1.2	-2.4	-2.3	-2.7	-0.8	-0.8
Credit	12.9	12.9	13.1	13.4	13.2	13.7	14.2	14.7	15.6	16.2
Debit	-14.9	-15.1	-14.7	-15.4	-14.4	-16.1	-16.5	-17.4	-16.4	-17.0
Transfers (net)	180.9	162.9	155.1	159.7	103.6	152.1	161.8	172.9	180.5	188.5
Private	83.1	62.1	62.0	79.6	76.8	81.9	90.3	102.6	107.9	113.4
Official	97.8	100.7	93.1	80.2	26.9	70.2	71.6	70.3	72.6	75.1
of which: Program	80.2	77.7	70.1	53.3	0.0	39.5	38.5	35.0	35.0	35.0
Capital account	48.5	102.8	102.8	72.1	69.8	83.1	75.3	79.2	83.5	82.9
Project grants	48.5	102.8	102.8	72.1	69.8	83.1	75.3	79.2	83.5	82.9
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	23.8	-3.5	-2.5	13.2	89.7	6.2	23.1	58.4	64.7	62.6
Direct investment	15.0	6.0	1.0	15.0	3.0	15.0	23.5	24.5	25.5	28.6
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	8.8	-9.5	-3.5	-1.8	86.7	-8.8	-0.4	33.9	39.2	34.0
Public sector (net)	3.8	15.5	16.5	3.2	91.7	1.2	4.6	38.9	44.2	44.0
Project disbursement	9.5	22.3	21.9	8.8	8.8	7.5	7.5	10.0	11.8	12.6
Program disbursement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35.0	40.0	40.0
Scheduled amortization	-5.7	-6.8	-5.4	-5.6	-5.6	-6.3	-2.9	-6.1	-7.7	-8.6
Monetary authorities (SDR allocation)	0.0	0.0	0.0	0.0	88.5	0.0	0.0	0.0	0.0	0.0
Other short-term flows	5.0	-25.0	-20.0	-5.0	-5.0	-10.0	-5.0	-5.0	-5.0	-10.0
Errors and omissions	-21.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-14.7	-3.6	-15.8	-2.7	7.3	-80.2	-40.9	4.1	23.5	21.7
Identified financing	14.7	3.6	15.8	2.7	-95.9	80.2	40.9	-4.1	-23.4	-22.5
Net IMF credit	11.1	27.2	27.0	33.2	14.2	12.5	5.2	-20.9	-26.6	-30.0
IMF purchase	-18.5	-32.1	-31.8	-37.3	-18.8	-18.6	-19.4	0.0	0.0	0.0
IMF repurchase	7.4	4.9	4.9	4.0	4.6	6.1	14.2	20.9	26.6	30.0
Other reserves (increase = -)	3.6	-30.5	-18.0	-36.1	-115.4	66.2	36.7	17.8	3.5	8.5
Exceptional financing	0.0	6.9	6.7	5.6	5.3	1.5	-1.0	-1.0	-0.3	-1.1
Debt rescheduling (DSSI)	0.0	2.2	2.1	0.0	1.7	-0.7	-1.0	-1.0	-0.3	-0.3
Other exceptional financing (CCRT) <sup>1</sup>	0.0	4.7	4.7	5.6	3.5	2.2	0.0	0.0	0.0	0.0
Debt payment arrears (reduction=-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>										
Terms of trade (percent change)	14.0	-19.6	-21.6	5.3	0.2	-15.5	12.3	11.2	8.4	3.1
Unit price of exports	10.7	-18.8	-19.6	2.5	8.2	4.2	6.9	4.9	6.2	6.0
Unit price of imports	-2.9	0.9	2.5	-2.7	8.0	23.3	-4.8	-5.7	-2.0	2.8
Current account (percent of GDP)	-4.9	-7.6	-8.5	-6.1	-10.6	-11.0	-8.4	-7.6	-6.6	-6.2
Capital account (percent of GDP)	3.6	7.6	7.5	5.0	4.9	5.4	4.6	4.5	4.4	4.1
Nominal GDP (CFAF billions)	1,335	1,360	1,373	1,443	1,432	1,539	1,652	1,764	1,881	2,005

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

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

**Table 4b. Central African Republic: Balance of Payments, 2019–2026**  
(Percent GDP)

	2019	2020		2021		2022	2023	2024	2025	2026
	Est.	ECF	Proj.	ECF	SMP Proj.	Projections				
Current account	-4.9	-7.6	-8.5	-6.1	-10.6	-11.0	-8.4	-7.6	-6.6	-6.2
Balance on goods	-15.4	-16.5	-16.8	-14.4	-15.0	-17.8	-15.6	-14.4	-13.7	-13.6
Exports, f.o.b.	7.0	5.6	6.0	5.9	5.9	6.3	6.8	7.1	7.7	8.1
of which: Diamonds	0.2	0.2	0.3	0.2	0.5	0.6	0.8	1.1	1.4	1.6
of which: Wood products	4.3	3.4	3.7	3.7	3.4	3.6	3.8	3.8	4.0	4.1
Imports, f.o.b.	-22.5	-22.1	-22.8	-20.3	-21.0	-24.1	-22.4	-21.5	-21.4	-21.6
of which: Petroleum products	-6.8	-4.7	-4.8	-4.5	-6.1	-8.3	-6.7	-6.0	-5.5	-5.2
Services (net)	-2.9	-2.9	-2.9	-2.6	-2.7	-3.0	-2.5	-2.8	-2.5	-2.0
Credit	8.7	8.0	7.9	8.3	7.3	7.0	7.5	7.2	8.1	8.2
Debit	-11.6	-10.9	-10.8	-10.9	-10.1	-10.0	-10.0	-10.0	-10.6	-10.1
Income (net)	-0.1	-0.2	-0.1	-0.1	-0.1	-0.2	-0.1	-0.2	0.0	0.0
Credit	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.8	0.8
Debit	-1.1	-1.1	-1.1	-1.1	-1.0	-1.0	-1.0	-1.0	-0.9	-0.8
Transfers (net)	13.6	12.0	11.3	11.1	7.2	9.9	9.8	9.8	9.6	9.4
Private	6.2	4.6	4.5	5.5	5.4	5.3	5.5	5.8	5.7	5.7
Official	7.3	7.4	6.8	5.6	1.9	4.6	4.3	4.0	3.9	3.7
of which: Program	6.0	5.7	5.1	3.7	0.0	2.6	2.3	2.0	1.9	1.7
Capital account	3.6	7.6	7.5	5.0	4.9	5.4	4.6	4.5	4.4	4.1
Project grants	3.6	7.6	7.5	5.0	4.9	5.4	4.6	4.5	4.4	4.1
Other transfers (debt forgiveness)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	1.8	-0.3	-0.2	0.9	6.3	0.4	1.4	3.3	3.4	3.1
Direct investment	1.1	0.4	0.1	1.0	0.2	1.0	1.4	1.4	1.4	1.4
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	0.7	-0.7	-0.3	-0.1	6.1	-0.6	0.0	1.9	2.1	1.7
Public sector (net)	0.3	1.1	1.2	0.2	6.4	0.1	0.3	2.2	2.3	2.2
Project disbursement	0.7	1.6	1.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6
Program disbursement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.1	2.0
Scheduled amortization	-0.4	-0.5	-0.4	-0.4	-0.4	-0.4	-0.2	-0.3	-0.4	-0.4
Other short-term flows	0.4	-1.8	-1.5	-0.3	-0.3	-0.6	-0.3	-0.3	-0.3	-0.5
Errors and omissions	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-1.1	-0.3	-1.2	-0.2	0.5	-5.2	-2.5	0.2	1.2	1.1
Identified financing	1.1	0.3	1.1	0.2	-6.7	5.2	2.5	-0.2	-1.2	-1.1
Net IMF credit	0.8	2.0	2.0	2.3	1.0	0.8	0.3	-1.2	-1.4	-1.5
IMF purchase	-1.4	-2.4	-2.3	-2.6	-1.3	-1.2	-1.2	0.0	0.0	0.0
IMF repurchase	0.6	0.4	0.4	0.3	0.3	0.4	0.9	1.2	1.4	1.5
Other reserves (increase = -)	0.3	-2.2	-1.3	-2.5	-8.1	4.3	2.2	1.0	0.2	0.4
Exceptional financing	0.0	0.5	0.5	0.4	0.4	0.1	-0.1	-0.1	0.0	-0.1
Debt rescheduling (DSSI)	0.0	0.2	0.1	0.0	0.1	0.0	-0.1	-0.1	0.0	0.0
Other exceptional financing (CCRT) <sup>1</sup>	0.0	0.3	0.3	0.4	0.2	0.1	0.0	0.0	0.0	0.0
Debt payment arrears (reduction=-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>										
Terms of trade (percent change)	14.0	-19.6	-21.6	5.3	0.2	-15.5	12.3	11.2	8.4	3.1
Unit price of exports	0.8	-1.4	-1.4	0.2	0.6	0.3	0.4	0.3	0.3	0.3
Unit price of imports	-2.9	0.1	0.2	-0.2	0.6	1.5	-0.3	-0.3	-0.1	0.1
Nominal GDP (CFAF billions)	1,335	1,360	1,373	1,443	1,432	1,539	1,652	1,764	1,881	2,005

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

<sup>1</sup> This covers debt service relief covering all payments falling due to the IMF from April 14, 2020 to April 13, 2022 under the Catastrophe Containment and Relief Trust

**Table 5. Central African Republic: External Financing Requirements, 2020-26**  
(CFAF billions)

	2020	2021	2022	2023	2024	2025	2026
	Projections						
1. Total financing requirements	214.5	277.8	155.2	158.2	177.7	190.6	188.9
Current account deficit (excl. budget support)	186.3	152.1	208.9	177.7	168.5	159.8	158.8
Debt amortization	5.4	5.6	6.3	2.9	6.1	7.7	8.6
Repayment to the Fund	4.9	4.6	6.1	14.2	20.9	26.6	30.0
Change in other reserves	18.0	115.4	-66.2	-36.7	-17.8	-3.5	-8.5
2. Total available financing	105.7	165.1	95.6	101.3	108.7	115.9	115.2
Capital transfers	102.8	69.8	83.1	75.3	79.2	83.5	82.9
Foreign direct investment (net)	1.0	3.0	15.0	23.5	24.5	25.5	28.6
Portfolio investment (net)	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Debt financing	21.9	8.8	7.5	7.5	10.0	11.8	12.6
Public Sector	21.9	8.8	7.5	7.5	10.0	11.8	12.6
SDR allocation	0.0	88.5	0.0	0.0	0.0	0.0	0.0
Other net capital inflows	-20.0	-5.0	-10.0	-5.0	-5.0	-5.0	-10.0
3. Financing gap	108.8	112.7	59.6	57.0	69.0	74.7	73.7
4. Expected sources of financing	70.1	0.0	39.5	38.5	70.0	75.0	75.0
of which: Budget support (grants)	70.1	0.0	39.5	38.5	35.0	35.0	35.0
of which: Budget support (loans) <sup>1</sup>	0.0	0.0	0.0	0.0	35.0	40.0	40.0
5. Residual financing gap	38.6	112.7	20.1	18.5	-1.0	-0.3	-1.3
ECF arrangement <sup>2</sup>	9.6	18.8	18.6	19.4	0.0	0.0	0.0
RCF	22.3	0.0	0.0	0.0	0.0	0.0	0.0
CCRT <sup>3</sup>	4.7	3.5	2.2	0.0	0.0	0.0	0.0
G20 DSSI <sup>4</sup>	2.1	1.7	-0.7	-1.0	-1.0	-0.3	-0.3
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: IMF staff projections.

<sup>1</sup> Budget support loans to be identified.

<sup>2</sup> Includes ECF request disbursement, approved by the Executive Board in December 2019, which happened in early January 2020.

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

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



**Table 6. Central African Republic: Financial Soundness Indicators, 2016-21**  
(Percent, end of period)

Concept	2016	2017	2018	2019	2020	2021Q1	2021Q2	2021Q3
<b>Capital Adequacy</b>								
Total bank regulatory capital to risk-weighted assets	32.0	34.3	28.5	30.3	23.9	23.5	24.2	23.8
Total capital (net worth) to assets	16.1	17.7	15.1	15.9	13.8	13.3	15.6	14.9
<b>Asset Quality</b>								
Non-performing loans to total loans	26.0	24.0	16.0	14.0	15.0	15.0	15.0	14.3
Non-performing loans coverage ratio	82.0	94.0	99.0	84.0	95.0	95.0	93.3	96.6
<b>Earnings and Profitability</b>								
Net income to average assets (ROA)	0.2	0.7	1.7	1.7	0.4	0.4	1.6	0.6
Net income to average capital (ROE)	0.3	2.9	6.8	7.6	1.5	1.5	9.3	4.4
Non interest expense to gross income	74.4	90.4	95.8	67.4	78.7	78.7	75.9	...
<b>Liquidity</b>								
Liquid assets to total assets	31.9	30.7	29.9	26.3	32.2	31.2	22.0	35.8
Liquid assets to short-term liabilities	219.6	227.4	198.6	165.8	199.3	186.1	133.2	214.2

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

**Table 7. Central African Republic: Indicators of Capacity to Repay the IMF, 2022-32**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>IMF obligations based on existing credit</b>											
(SDR millions)											
Principal <sup>1</sup>	7.52	17.49	25.79	32.94	37.08	35.65	25.24	17.30	8.75	2.39	0.00
Charges and interest	0.02	0.11	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
<b>IMF obligations based on existing and prospective credit</b>											
(SDR millions)											
Principal <sup>1</sup>	7.52	17.49	25.79	32.94	37.08	35.65	31.01	26.65	18.10	11.74	9.35
Charges and interest	0.11	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
<b>IMF obligations based on existing and prospective credit</b>											
(CFA billions)											
Principal <sup>1</sup>	6.13	14.25	21.02	26.85	30.22	29.05	25.27	21.72	14.75	9.57	7.62
Charges and interest	0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
<b>Outstanding IMF Credit</b>											
SDR Millions	225.5	231.9	206.1	173.2	136.1	100.4	69.4	42.8	24.7	12.9	3.6
CFAF Billions	183.8	188.2	166.8	139.9	110.0	81.2	56.1	34.6	19.9	10.5	2.9
Percent of government revenue	139.3	122.9	91.7	68.3	48.3	32.8	20.8	11.8	6.3	3.0	0.8
Percent of exports of goods and services	89.4	79.6	66.4	47.2	33.8	22.7	14.6	8.3	4.5	2.2	0.6
Percent of debt services	850.9	754.9	466.3	323.3	226.5	154.6	115.3	73.8	50.2	31.1	8.6
Percent of GDP	11.9	11.4	9.5	7.4	5.5	3.8	2.4	1.4	0.8	0.4	0.1
Percent of quota	202.4	208.2	185.0	155.4	122.2	90.2	62.3	38.4	22.1	11.6	3.2
<b>Net use of IMF credit (SDR millions)</b>											
Disbursements	22.9	23.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
Repayments and repurchases	7.6	17.6	25.9	33.1	37.2	35.8	31.1	26.8	18.2	11.9	9.5
<b>Memorandum items:</b>											
Nominal GDP (billions of CFA francs)	1538.9	1652.2	1764.0	1880.6	2005.0	2150.8	2305.1	2465.2	2633.9	2813.1	2813.1
Exports of goods and services (billions of CFA francs)	205.5	236.4	251.4	296.4	325.6	357.8	384.9	414.7	438.6	485.8	485.8
Government revenue (billions of CFA francs)	131.9	153.1	182.0	205.0	227.8	247.5	269.2	292.3	317.1	344.6	344.6
Debt service (billions of CFA francs)	21.6	24.9	35.8	43.3	48.6	52.5	48.7	46.8	39.7	33.7	33.7
IMF Quota (SDR millions)	111.4	111.4	111.4	111.4	111.4	111.4	111.4	111.4	111.4	111.4	111.4

Source: IMF staff projections.

<sup>1</sup> The repayments of principal in 2022 exclude the final tranche of the CCRT (January 11, 2022-April 13, 2022) of SDR 2.645 million.

## Appendix I. Letter of Intent



Bangui, March 28, 2022

Ms. Kristalina Georgieva  
 Managing Director  
 International Monetary Fund  
 Washington, DC 20431  
 United States of America

Madam Managing Director:

The progress in securing the territory and the significant efforts undertaken with the help of development partners in order to stop the spread of the COVID-19 pandemic have enabled our country to recover its growth path and our citizens to gradually return to their normal lives. The number of cases linked to COVID-19 has stabilized and we have already vaccinated 15 percent of our population, with a target of 52 percent of the population by end-2022.

We remain firmly committed to a return to peace across our entire territory. In that regard, we are also delighted to inform you that in the coming days, a major step forward in the peace process will take place with the return of the opposition parties to the preparatory work for the “Republican Dialogue” that the President of the Republic, Professor Faustin Archange Touadéra wishes to hold with the nation’s agents of change and the democratic opposition.

We are eager to see the recovery and modernization of our economy, in order to be able to meet the major development challenges and to improve the living conditions of our populations. This is why we are rigorously implementing the International Monetary Fund (IMF) staff-monitored program in December 2021 for a period of seven months.

This staff-monitored program—which broadly takes on the main objectives of the program adopted a few years ago in the context of the Extended Credit Facility (ECF) arrangement—allows us to demonstrate our commitment and ability to implement ambitious economic policies and structural reforms. The ultimate objective is to be able to return to a program supported by the ECF over the course of the second half of 2022. To that end, we must seek grants from our development partners to support our budget, considering the high risk of over indebtedness for our country.

We believe that the implementation of the staff-monitored program was satisfactory. We have reached the majority of the ongoing quantitative targets for end-December 2021 thanks to our efforts to mobilize domestic income and to control public spending. We are also glad to inform you that we have implemented all of the structural benchmarks for end-December 2021. We are

confident that the proper implementation of this staff-monitored program will continue over the coming months.

The international environment, including the geopolitical environment, has significantly deteriorated, leading to significant uncertainty in terms of macroeconomic outlook. Our short-term priority objective is to expedite the conclusion of discussions with our partners in order to proceed to the disbursement of the necessary budgetary support to ensure the sustainable financing of our budget and to support our population. In light of the delays to such budgetary support that have already been noted, we will continue to implement a cautious budgetary policy in 2022, by financing public expenditure based on our liquidity conditions. Efforts to streamline expenditure and to enhance tax revenues will be necessary in order to make budgetary space available and to address risks.

Following our discussions with development partners, we have taken decisive measures to reiterate our unwavering commitment in terms of budgetary transparency. We are committed to re-establishing the monthly meetings of the cash-flow committees, which will involve the participation of the technical and financial partners, and to undertaking the Public Expenditure and Financial Accountability (PEFA) assessments of public finance. The pace of other structural reforms remains strong in areas including the modernization of our tax administration, transparency in government procurement and the management of budgetary risks.

We are also convinced that the measures and policies set out in the Memorandum of Economic and Financial Policies (MEFP) are appropriate for achieving the objectives of the staff-monitored program. If need be, we are ready to take all additional measures that may become necessary for the achievement of these objectives. The authorities will consult with the IMF before implementing any amendments to the measures contained in the MEFP, in line with the Fund's policies on consultations. We would like to request modification of end-March quantitative targets in view of budget shortfalls and the food and fuel shocks. We will also provide IMF staff with all necessary data and information to assess the policies and measures set forth in the Technical Memorandum of Understanding (TMU).

We plan to publish the IMF staff report, including this letter of intent and the attached MEFP and TMU. We therefore also authorize the IMF staff to publish these documents on the IMF website.

Very truly yours,

/s/

Hervé Ndoba

Minister for Finance and the Budget

/s/

Félix Moloua

Prime Minister

Head of Government

Attachments:

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

## Attachment I. Memorandum of Economic and Financial Policies

*In December 2021, the Government of the Central African Republic embarked on a Staff-Monitored Program (SMP) agreed with the International Monetary Fund (IMF) covering the December 2021 to end-June 2022 period. The program objectives consist in helping us deal with the immediate financing challenges caused by the health and security crises, preparing a roadmap to improve policy implementation, and access budgetary support from other partners. The MEFP describes recent macroeconomic developments, program implementation through end-December 2021 and progress on the reforms implementation. It also describes the economic outlook, risks and policies that we intend to implement.*

### I. BACKGROUND

**1. In December 2021, the Central African Republic adopted an ambitious seven-month IMF Staff-Monitored Program (SMP).** The SMP, which covers the period December 1, 2021 to June 30, 2022, aims to help us demonstrate our commitment and ability to implement the ambitious economic policies and structural reforms. It also provides an adequate macroeconomic framework for implementation of the policies and reforms, while enabling us to continue to benefit from the support of our partners in handling our numerous challenges, which have been exacerbated by the Covid-19 pandemic and security shocks.

**2. The third Covid-19 wave has been receding since January 2022.** Out of the 86,000 tests administered since the onset of the pandemic, 15,000 positive cases have been confirmed, with 113 deaths, primarily among unvaccinated patients. Thanks to the COVAX initiative and support from bilateral donors, we have received 2.5 million vaccine doses, 32 percent of which have been administered, resulting in a vaccination rate of around 15 percent of the total population at end-February 2022. Constraints in vaccine storage have significantly hampered more rapid vaccination campaigns in the provinces. Provided that these constraints are alleviated, we could achieve our objective of vaccinating 2.4 million individuals by end-2022 (52 percent of the target population).

**3. Significant progress has been made on the security front, although the situation remains volatile in some regions.** We have been able to repel the attacks of anti-government forces, restore security throughout most of the country and secure the Bangui-Douala corridor, which has enabled us to gradually restore trade flows and economic activity. Nevertheless, armed groups, particularly Unity for Peace in Central Africa (UPC), continue to attack our population, primarily in southern and central regions of the country, facilitated by favorable seasonal conditions.

**4. We remain committed to continuing the “Republican Dialogue” and to implement the Luanda roadmap to consolidate peace.** With the return of the opposition to the organizing committee for the “Republican Dialogue,” an initiative of the President of the Republic, Faustin

Archange Touadéra, national consultations will be organized in March 2022. These consultations will involve the driving forces of the nation and the democratic opposition. Under the Luanda roadmap, which was signed by four of the six armed groups making up the Coalition of Patriots for Change (CPC), the President of the Republic declared a unilateral cease-fire on October 15, 2021. We are implementing a zero tolerance policy for human rights violations, regardless of who is involved. The establishment of a Commission of inquiry in charge of examining potential violations and the publication in early October 2021 of its report are indicative of this commitment.

**5. Discussions are continuing with our development partners on the disbursement of budgetary support to help us address our numerous challenges.** The dialogue with donor community is crucial given the dire challenges faced by our people. We will spare no efforts to enhance fiscal transparency by rapidly taking forceful and concrete actions and we are prepared to explore alternative budgetary arrangements to reassure donors and ensure the continuity of support for our people.

## II. RECENT MACROECONOMIC DEVELOPMENTS

**6. The economic recovery gained steam in the second half of 2021.** This reflects the improvement in the security situation and our sustained efforts to secure the Douala-Bangui trade corridor, which have facilitated a broad-based economic recovery in the second half of 2021. We estimate growth at around 1 percent in 2021, in line with the projections made upon the approval of the SMP. Helped by the reopening of the trade corridor, the improvement of the security situation in production zones in the provinces as well as favorable rainfall, the economic recovery is continuing, including in the extractive and agricultural sectors. Domestic demand is supported by strong final consumption driven by the private sector, and public investment.

**7. The reopening of the trade corridor allowed inflationary pressures to abate.** Inflation reached 5.2 percent year-on-year in the first quarter of 2021, reflecting the shortages caused by the closure of the trade corridor. Inflationary pressures began to ease from July 2021, to 3.6 percent year-on-year, thanks to the more stable goods supply following the reopening of the corridor. As a result, annual average inflation stood at 4.3 percent in 2021.

**8. The external current account balance deteriorated in 2021, primarily due to the reduction in official transfers.** The trade deficit is expected to remain high at around [15.0 percent] of GDP in 2021, reflecting an increase in imports—due in part to rising oil prices—which have offset the resumption of exports following the reopening of the trade corridor. Owing primarily to the non-disbursements of budgetary support by the French Development Agency and the delay in the disbursement of budgetary support by the World Bank and European Union, the current account deficit is expected to reach 10.6 percent of GDP. However, a slight overall balance of payments surplus of [0.5] percent of GDP is expected in 2021 thanks to the SDR allocation of SDRs (5.9 percent of GDP).

**9. Mobilization of domestic revenues in the last quarter of 2021 was slightly higher than projected.** Domestic tax revenues totaled CFAF 125.9 billion at end-December, exceeding the annual projection of around CFAF 2 billion. This is the result of the stabilization of the security situation and the continued gradual economic recovery in the second half of 2021.

**10. Primary domestic expenditure has been kept under control.** They totaled CFAF [199.3] billion in 2021 in line with SMP objectives (CFAF 199 billion), reflecting the limited payments to public agencies of subsidies prorated to their collection of parafiscal revenues, and our commitment to prioritizing essential expenditures in a difficult economic context. At the same time, we have had to increase personnel spending, particularly for recruitment in the security sector to shore up our ability to ensure peace across the entire country. During the first two months of 2022, we have continued to keep public spending under control.

**11. The public debt reached 48.5 of GDP in 2021, reflecting the issuances of government securities and the use of SDRs.** In line with the commitments within the Staff-Monitored Program, we have refrained from disbursing under the nonconcessional BDEAC loan to protect our external debt sustainability. In December 2021, we drew a tranche of CFAF 1.22 billion on the concessional loan from the Saudi Development Fund (contracted in 2015) for the rehabilitation of the main access road to the airport. On the domestic debt side, the restructuring of the debt owed to the BEAC helped to improve the debt profile, with repayments now due starting in 2025 (rather than 2022) and a maturity of 20 years rather than 10 years. To offset the decline in tax revenues and the non-disbursement of budgetary support by the development partners, we mobilized CFAF 48.75 billion in government securities between January and October 2021 and used CFAF 35 billion of the SDR allocation in December 2021. External public debt thus reached 34.5 percent of GDP at end-2021, while our domestic debt rose to 14 percent] of GDP.

**12. Controlling domestic debt remains a key policy objective.** We have therefore continued to clear domestic arrears although the target could not be fully met in 2021 due to a tight cash flow position. We were unable to begin repayment of bridge loans contracted with commercial banks in 2021 before their due date as planned, owing to the rigidity of the contractual causes underlying these government securities, for which discussions continue with the underwriting banks.

**13. We are pursuing our efforts to protect the banking system.** The capital adequacy ratio remains solid at 23.8 percent at end-September 2021, well above the regulatory minimum of 9.5 percent, while the short-term liquidity ratio stood at 214 percent owing in part to BEAC refinancing operations with some banks. Private sector credit increased by 11.3 percent year-on-year in December 2021, while nonperforming loan (NPL) ratio remained at 14 percent, owing in part to the easing of prudential measures by COBAC in response to the pandemic. NPLs are, moreover, well provisioned (82 percent). Nevertheless, significant disparities in terms of liquidity and the concentration of nonperforming loans among financial institutions require enhanced vigilance.

### III. PROGRAM IMPLEMENTATION

#### A. Status of End-December 2021 Targets

**14. We have spared no effort to ensure satisfactory implementation of the SMP through end-December 2021.** We have met most of all of the end-December 2021 quantitative benchmarks but missed two indicative targets, reflecting a successful implementation of the 2021 supplementary budget in accordance with the SMP objectives:

- Net domestic financing of the government totaled CFAF 75.1 billion at end-December 2021, as against a ceiling of CFAF 79.6 billion.
- The domestic primary fiscal balance stood at CFAF -74.0 billion at end-December 2021, as against a floor of CFAF -77 billion.
- Government domestic revenues totaled CFAF 125.9 billion at end-December 2021, compared to a floor of CFAF 124 billion.
- In accordance with the program objectives, we did not contract, guarantee or disburse any nonconcessional external loans in 2021 in order to control the already high debt risk. We have also not accumulated new arrears on our external debt, thanks to efforts undertaken with the BEAC, particularly the new software that allows us to better manage our international commitments.
- We were unable to meet the indicative target of clearing domestic payments arrears, which totaled CFAF 10.5 billion at end-December 2021, as against a floor of CFAF 12 billion. However, we were able to considerably reduce the stock of pension arrears, which declined from CFAF 4.1 billion at end-2020 to only CFAF 350 million at end-December 2021.
- Domestically financed social spending significantly exceeded the target, totaling CFAF 40.9 billion against a floor of CFAF 24 billion. Expenditure using extraordinary procedures totaled CFAF 7.4 billion at end-2021, unfortunately exceeding the floor of CFAF 6.7 billion in the SMP, primarily owing to the high budgetary costs of health evacuations.

**15. We diligently met all of the structural benchmarks at end-December 2021.** Firstly, we submitted a draft budget law for 2022 to the National Assembly in December 2021 and it was enacted by the President of the Republic on December 30, 2021. Secondly, on December 31, 2021, the Minister of Finance issued a ministerial order effective end-March 2022, that suspended imports by large importers that did not fully respect their tax obligations. The 2022 budget law includes a 10 percent penalty (on the value of imports) and a minimum royalty payment of CFAF 1 million in this regard. Finally, on December 30, 2021, the Minister of Finance issued a ministerial order making e-filing mandatory for large taxpayers by December 31, 2022.

## B. Status of Remaining Structural Benchmarks

*The government has spared no effort to achieve the objectives of the SMP at end-February 2022 and implement the other reforms needed to strengthen our public finances, fiscal transparency and governance.*

**16. We have successfully completed the interconnection between the ASYCUDA++ and eCustoms systems.** Verification of the data to be exchanged between the two systems has been completed, and the data exchange between the Customs's ASYCUDA++ system and the e-Customs system provided by the supplier (Webb Fontaine Group FZ-LLC) has been secured and put into operation. DPIV value controls have been tested and, following validation of the procedure, deployment took place on February 25, 2022. Moreover, we commit to taking account of the recommendations of the technical assistance mission planned for April 2022, which will, based on an initial evaluation, make possible to improve the existing arrangements in order to minimize customs revenue losses.

**17. The draft anticorruption law has been submitted to the National Assembly.** This draft law, fully compliant with the recommendations of IMF staff and the requirements of the United Nations Convention against Corruption, was ready for submission to the National Assembly at end-January 2022. However, submission was delayed slightly owing to the prolonged absence the Minister of Justice for reasons of force majeure. The draft law was nonetheless submitted to the National Assembly on February 4, 2022, with a delay of four days from the date set by the structural benchmark.

## IV. ECONOMIC OUTLOOK AND RISKS

**18. A balanced economic recovery should continue in the course of 2022 as the security situation improves.** Growth in 2022 is projected at 3.5 percent thanks to the extension of security gains to the provinces, thus stimulating food cultivation, forestry and mining production. The full reopening of the trade corridor has led to a resumption of trade and will contribute to the upturn in industrial production and the supply of services. A better security environment and the implementation of structural reforms should further support economic activity. Nevertheless, the recent armed conflict in Eastern Europe has clouded growth prospects due, among other things, to the sharp increase in the import prices of oil and food products. In the medium term, we estimate that growth will stabilize around 4 percent, or 1 percentage point lower than the projections made at the time the SMP was signed, in December 2021. Reflecting the sharp increase in import commodity prices, inflation is expected to reach 4 percent this year and 3.6 percent in 2023, before stabilizing around 2½ over the medium term.

**19. The balance of payments is expected to deteriorate in 2022.** The trade balance should decline from its 2021 level owing primarily to rising international oil and food prices. The nondisbursement of budget support by the World Bank and European Union, which was scheduled for 2021 but is now expected in early 2022, will lead to an increase in the current account deficit to 11 percent of GDP. Excluding the SDR allocation, the balance on the financial



account will remain weak, leading to a balance of payments deficit of 5.2 percent of GDP this year. In the medium term, the current account deficit should gradually decline to 6.2 percent of GDP owing to an expected rise in exports. The financial account should gradually improve with the resumption of foreign direct investment and other financial flows, leading to a balance of payments surplus of around 1.2 percent of GDP by 2025.

**20. The prolonged uncertainty regarding the disbursement of budget support poses a major risk.** The nondisbursement of budget support by the World Bank and European Union (approximately 5 percent of GDP in support for 2021) resulting from prolonged differences on our real level of fiscal transparency poses a substantial risk to economic growth, our ability to finance essential public services, and reduce poverty. The lack of budget support will also affect our expectations for financing from other donors in a context already marked by a high risk of debt distress.

**21. The deterioration of the international environment is exacerbating macroeconomic vulnerabilities.** We must redouble our vigilance in the face of a particularly volatile international context. The armed conflict in Eastern Europe, rising international prices for oil and commodities on which we are particularly dependent, volatile international financial conditions and the potential slowing of external demand and international value chains pose substantial risks.

**22. Domestic risks include primarily health and security risks.** A resurgence of violence and an acceleration of the Covid-19 pandemic, including the emergence of a new variant, would significantly jeopardize our efforts towards economic recovery. These developments would have widespread humanitarian and social consequences. An acceleration of inflationary pressures would further erode the purchasing power of households. However, a more favorable economic dynamic for our country could result from the faster implementation of structural reforms, a more rapid return to peace throughout the entire country, and improved revenue mobilization and public spending execution.

## V. GOVERNMENT FINANCIAL AND ECONOMIC POLICIES AND OBJECTIVES

*Our primary objective is to continue the dialogue with the development partners to achieve rapid disbursement of the budget support that is crucial for the sustainable implementation of our economic and social policies. Given the multiple risks affecting our country, we will prudently execute the budget in 2022. While continuing to implement the structural reforms already under way, we have taken additional measures to strengthen fiscal transparency in the context of our discussions with our development partners.*

### A. Fiscal Policy

**23. Prudent budget execution in 2022 is warranted.** To respond to the risks weighing on the budget—uncertainty regarding budget support and oil import prices—execution of the priority spending will be consistent with available resources. Our revenue mobilization efforts will

be accelerated to maintain adequate fiscal space to ensure viable financing of our priority expenditures.

**24. Revenue:** We plan on continuing our efforts to mobilize tax and nontax revenues in order to reach the objective of CFAF 132 billion by assigning specific targets to the relevant departments and setting up committees in order to increase the mobilization of various public office revenues and secure their transfer to the single Treasury account, efficiently manage tax exemptions, and review the petroleum price structure.

**25. Expenditure:** We propose to reduce nonpriority primary expenditure to CFAF 9 billion or [0.6] percent of GDP—compared to the 2022 budget law—to offset the delays in the disbursement of budget support, while at the same time continuing to clear domestic arrears (CFAF 14.6 billion), clear “outstanding balances” for fiscal year 2021 (CFAF 6 billion) and refund VAT credits (CFAF 7.8 billion). Most of the adjustment to the primary expenditure will be implemented in the first half of 2022 to free up fiscal space for a more normal resumption of budget execution in the second half of the year, once there will be more clarity on budget support disbursement.

**26. This fiscal adjustment is necessary given the high uncertainty in the external environment and the possible tightening of monetary policy.** Our considerable fiscal consolidation efforts should facilitate the reduction of the primary fiscal deficit by 1.1 percentage point of GDP compared to 2021, while minimizing the impact on economic activity and the social sectors. The public finance management effort should be stepped up to avoid the accumulation of future fiscal arrears and “outstanding balances,” which affect private sector liquidity and can pose risks for our banking system. Based on this, we are confident that all of the SMP quantitative targets for end-March 2022 will be met.

**27. Viable financing of the fiscal deficit in 2022 should allow maintaining fiscal buffers in the face of increasing risks.** To achieve satisfactory fiscal performance under the SMP and the fiscal discipline planned for 2022, we will restrict new issuances of government securities to CFAF 15 billion (1 percent of GDP) in 2022 to offset the delays in the disbursement of budget support by the development partners, with whom discussions are currently going on. The financing gap will be covered by a moderate drawing on the SDR allocation at the BEAC (CFAF 20 billion), while the SDR balance (CFAF 29 billion) will remain available to cover future financing needs.

**28. A larger reduction in public spending will be required if budget support is not disbursed this year.** The prolonged lack of budget support would pose high risks to growth, public finances and public debt sustainability and significantly jeopardize our access to external financing, including from other partners such as the IMF, whose potential financing under the extended credit facility (ECF) is also conditional on financing assurances from other donors and public debt sustainability. In the absence of budget support in 2022, we will submit a supplementary budget that will further reduce primary spending while prioritizing the execution of priority expenditures and will resort to additional domestic financing, including an increase in

the use of SDRs. The resulting macroeconomic and social costs will unfortunately be substantial for 2022 and the medium term.

**29. It is essential that the fiscal risks related to the sharp rise in international oil prices be explicitly taken in to account.** In the absence of an automatic adjustment mechanism for domestic pump prices for petroleum products, the steady increase in international oil prices will significantly affect our capacity to mobilize domestic revenues. Preliminary estimates suggest an annual level of implicit subsidies on imports of oil products of about 0.4 of GDP under the baseline scenario, which would require discussions on balancing risk management and protecting the poor. We therefore plan to set up a committee as soon as possible to examine the state of these implicit subsidies and will propose appropriate measures to reduce the fiscal losses. We are ready to request for technical support from our partners.

**30. Given all these fiscal risks, we will pursue our efforts to facilitate the disbursement of budget support by the development partners.** Dialogue with donors' community is essential given the direct risks for our population. We will spare no efforts to increase fiscal transparency by rapidly taking strong and concrete steps and are prepared to explore alternative budgetary arrangements to reassure donors and ensure the continuity of support for our people.

## B. Structural Reforms

*This section reports on the measures we have taken to increase transparency in public finance management and domestic revenue mobilization.*

### Increasing Fiscal Transparency

**31. In the context of ongoing discussions with donors on budget support for 2022, we will significantly strengthen fiscal transparency:**

- Starting from March 2022, we will hold monthly meetings on our cash flow management with the participation of the technical and financial partners;
- In March 2022, we will begin the Public Expenditure and Financial Accountability (PEFA) assessment process for the years 2018 through 2020 by issuing call for tenders to recruit the team to conduct this assessment. The results of the assessment will be shared with our technical and financial partners;
- We are also prepared to explore alternative mechanisms with our development partners to maximize transparency in the management of budget support.

**32. Better management to prevent the accumulation of domestic arrears is necessary to reduce fiscal risks and limit the negative impact on the private sector.** By end-June 2022, we will conduct an inventory of all domestic arrears. We will also propose a strategy to end the accumulation of new arrears as soon as possible; this strategy will at a minimum include: (i) a

detailed timetable and (ii) criteria to be used for the clearance of arrears to minimize the likelihood of favoritism and corruption in the selection of beneficiaries.

**33. We will use an array of measures to improve our capacity to collect and secure tax revenues.** Specifically:

- We have prepared terms of reference for a mission beginning end-March 2022 with the purpose of preparing an inventory of revenues received by ministries and institutions in exchange for services provided to users that are not deposited in the Treasury single account (TSA). This is part of our strategy to consolidate the TSA;
- By end-March 2022, a committee will be established to monitor public office revenues. The committee will be made up of representatives of each sector and its aim will be to propose specific measures to eliminate anomalies in the collection of these revenues and their transfer to the TSA;
- We will implement the set of recommendations made by the technical and financial partners on tax expenditures (e.g. tax exemptions), which lead to substantial tax revenue losses;
- An evaluation of the relevance of conformity certificates for imports will be conducted to reduce the duplication of information and paperwork burden on the private sector;
- In the coming weeks, we will conduct discussions with the assistance of our technical and financial partners on the economic costs and benefits of the current price structure for petroleum products. This discussion is very important given the significant downside risks affecting global oil prices, which would have a substantial impact on our tax revenues.

**Other Structural Measures**

*In addition to the measures discussed above, we have continued to implement the other measures agreed in the SMP.*

**We are continuing the digitalization of public finance management, which will facilitate fiscal control.** The fiscal reporting table for 2021 has been placed online using the format proposed by IMF staff, which allows for a more detailed and coherent analysis of the fiscal position.<sup>1</sup> Consolidation of the TSA is also continuing. In this respect, we have prepared the draft agreement between the BEAC and the Treasury for management of the TSA. The new digital application for the pension arrears management will permit to end the accumulation of arrears to new retirees by incorporating them immediately following their retirement. Owing to some technical constraints, the interconnection of the Sygma-Systac and SimBa softwares, which

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<sup>1</sup> Available [here](#).

should enable us to better monitor budget execution, is not yet operational. However, we will take all steps needed to ensure that this system is fully deployed by January 2023.

**34. We will pursue our efforts to enhance the transparency of expenditures related to the Covid-19 pandemic and procurement.** We will continue to publish the names of companies that have received transfers intended to help them deal with the pandemic and the criteria for their selection. Although no new public contracts have been signed to date, we will publish online all detailed information on the expenditure execution related to the pandemic on the Ministry of Finance website, along with the related public contracts. We will retroactively add the names of the beneficial owners of public contracts above the threshold of CFAF 10 million in effect since August 2021. We will continue to provide all information required by the ministerial order of August 4, 2021.

**35. We will step up implementation of the rapid results action plan agreed with the IMF's Fiscal Affairs Department, AFRITAC Central and the UNDP.** This initiative is part of the preparation for the transition to program budgeting and accrual basis accounting. To this end, we will implement multiyear scheduling of investments and fiscal decentralization by 2023 and will continue to prepare for the transition to accrual basis accounting by speeding up the work to audit the aggregate balances on government accounts and by adopting the government accounting standards and regulation on the implementation of stock accounting starting in 2022.

**36. We will pursue our efforts to improve the business environment:**

- The revision of the mining code is advancing, taking account of the recommendations from the technical and financial partners. We will share the revised version of the draft code with our technical partners by end-March 2022. We will incorporate the comments made by our technical and financial partners before submitting the draft to the National Assembly to ensure that it is in line with the FATF recommendations on combating money laundering, the financing of terrorism and the CEMAC directives on the exchange regulations.
- We are making progress in implementing the recommendations of the National Economic and Financial Committee (CNEF). We have: (i) transmitted the draft laws that will constitute the operational framework for the arbitration and mediation center and the arbitration chamber in the commercial court responsible for handling financial and banking disputes to COBAC for evaluation and (ii) via the CNEF, adopted the articles of incorporation of the institution responsible for collecting nonperforming loans. The organizational meeting of shareholders will be convened by end-June 2022.

**37. The collection of tax arrears will be stepped up.** To demonstrate our commitment to collecting taxes owed to the government, we will, by end-June 2022, send final notices to all importers and beneficiaries of public contracts that are not up to date on their tax obligations, which will enable us to collect some CFAF 1.6 billion. By March 15, 2022 at the latest, we will send a detailed action plan to the IMF to recover the CFAF 327 million in balances owing as of December 31, 2021 following the initial final notices sent out. We will also send IMF staff the

report presenting information on collections in each month starting with March 2022, including collections from importers and companies benefiting from public contracts that were not up-to-date on their tax obligations. Finally we will submit a plan to the IMF for locating 247 companies not yet located by March 31, 2022. The final report on these steps to locate companies will be submitted on June 30, 2022.

**38. We are making progress in the implementation of information systems for e-filing of taxes and customs duties.** Training will be provided to prepare businesses for the use of the e-filing system for taxes, which will allow all large taxpayers to e-file starting in April 2022.<sup>2</sup> Moreover, we have signed a €1 million agreement with the European Union for the introduction of ASYCUDA World. The international call for bids for the purchase of the necessary technical equipment for this project has been published and we will be hiring three consultants to handle the entire process of migration to ASYCUDA World once the provisional public procurement plan has been approved.

## VI. PROGRAM MONITORING

**39. The terms of the SMP are broadly unchanged, with the exception of the thresholds for the quantitative criteria at end-March 2022, for which we seek revisions.** This reflects a revision of budget support projections, regarding which negotiations are ongoing. The targets for the primary fiscal deficit and net domestic financing are proposed to be amended to take account of the nondisbursement of the tranche of budgetary support for 2021 expected in the first quarter of 2022, combined with the reduction in primary spending for 2022 (see attached Table 1).

**40. IMF staff will monitor execution of the second review of the SMP.** This review will cover our performance vis-à-vis the quantitative targets for end-March 2022 and the structural benchmarks for end-January and February 2022. We will continue to provide IMF staff with the statistical data and information identified in the attached Technical Memorandum of Understanding, as well as any other information they deem necessary or that the IMF staff might request for monitoring purposes.

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<sup>2</sup> Support will be provided by the DGI in case of difficulties.

**Table 1. Central African Republic: Quantitative Benchmarks and Indicative Targets under the SMP**  
(CFAF billions; cumulative from beginning of the year, unless specified otherwise)

	End-December 2021			End-March 2022	
	PC	Actual	Status	PC	Revised PC
<b>Quantitative benchmarks</b>					
Net domestic government financing (ceiling, cumulative flows for the year)	79.6	75.1	Met	-16.5	18.0
Domestic revenue (floor, cumulative for the year) <sup>1</sup>	124.0	125.9	Met	32.0	32.0
Domestic primary fiscal balance (floor, cumulative for the year) <sup>2</sup>	-77.0	-74.0	Met	-22.0	-14.0
<b>Continuous benchmarks</b>					
Contracting or guaranteeing of new external non concessional debt (ceiling, cumulative from October 1, 2021)	0.0	0.0	Met	0.0	0.0
Disbursement of external non concessional debt (ceiling, cumulative from October 1, 2021) <sup>3,4</sup>	0.0	0.0	Met	0.0	0.0
Non accumulation of external payments arrears (ceiling, cumulative for the year) <sup>3,4</sup>	0.0	0.0	Met	0.0	0.0
<b>Indicative targets</b>					
Social spending (floor, cumulative for the year) <sup>5</sup>	24.0	40.0	Met	5.0	5.0
Spending through extraordinary procedures (ceiling, cumulative for the year)	6.7	7.4	Not met	1.7	1.7
Reduction in domestic payments arrears (floor, cumulative for the year)	12.0	10.5	Not met	3.0	0.0
New concessional/external debt contracted or guaranteed by the government (ceiling, cumulative for the year)	25.0	0.0	Met	15.0	15.0
<b>Memorandum items:</b>					
Budget support	0.0	0.0		46.0	0.0
Privatization receipts	3.6	1.8		0.0	1.8

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

<sup>1</sup> Domestic revenue, which excludes foreign grants and divestiture receipts.

<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> These objectives will be monitored continuously.

<sup>4</sup> Contracted or guaranteed by the government.

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

**Table 2. Central African Republic: Prior actions and structural benchmarks,  
December 2021–March 2022**

<b>Measures</b>	<b>Timeline</b>	<b>Macroeconomic Rationale</b>	<b>Status</b>
Online publication of an independent audit of COVID-related spending executed in 2020	Prior action	Improve accountability	Met
Elimination of agencies without economic justification	Prior action	Improve transparency and revenue collection	Met
Submission to the National Assembly of a draft supplementary budget for 2021 consistent with the SMP objectives	Prior Action	Improve transparency and revenue collection	Met
Submission to the National Assembly of a draft budget for 2022 consistent with the SMP objectives	End-December 2021	Ensure macroeconomic stability	Met
Issuance of a ministerial order suspending import activities as of end-March 2022 for all large importers behind on their tax obligations	End-December 2021	Improve revenue collection	Met
Issuance of a ministerial order making the systematic use of the e-filing system mandatory for large taxpayers by December 31, 2022 [sic]	End-December 2021	Improve transparency and revenue collection	Met
Submission to the National Assembly of a new anticorruption law that is consistent with the requirements of the United Nations Convention against Corruption (UNCAC)	End-January 2022	Improve governance	Not met, submitted on February 4, 2022
Adjustment of the ASYCUDA ++ customs processing system to ensure that the values recommended by Webb Fontaine are automatically reflected in the importers' customs declarations	End-February 2022	Improve transparency and revenue collection	Met



## Attachment II. Technical Memorandum of Understanding

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

### A. Definitions

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

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

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

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

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

iii. leases, i.e., arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property.

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

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

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

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

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

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

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

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

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

- **Payment arrears on expenditures** are defined as all payment orders created by the

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

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

## B. Quantitative Targets

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

### *a) Quantitative Benchmarks*

#### **Ceiling on net domestic financing of the government**

- **Net domestic financing of the government** is defined as the sum of (i) net bank credit to the government, defined below; and (ii) non-bank financing of the government, including proceeds from the sale of financial assets, proceeds from privatizations or the granting of licenses, Treasury bills and bonds and other securitized debt issued by the government in the CEMAC regional financial market, denominated in CFA francs and not held by the local banking system, and any Bank of Central African States (BEAC) credit to the government, including any drawings on the CFA franc counterpart of the allocation of Special Drawing Rights (SDRs).
- **Net bank credit to the government** is defined as the balance between the debts and claims of the government vis-à-vis the central bank, excluding the use of IMF credit, and the national commercial banks. The scope of credit to the government is that used by the BEAC and is in keeping with general IMF practice in this area. It implies a definition of government that is broader than the one indicated in paragraph 3. Government claims include the CFA franc cash balance, postal checking accounts, guaranteed tax promissory notes, and all deposits with the BEAC and commercial banks of government-owned

entities, with the exception of industrial or commercial public agencies (EPICs) and government corporations, which are excluded from the calculation. Government debt to the banking system includes all debt to the central bank and local commercial banks, including Treasury bills and securities and other securitized debt.

#### **Floor for domestic government revenue**

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

#### **Floor for the domestic primary fiscal balance**

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

#### **Ceilings on new external debt contracted or guaranteed by the government**

- The government undertakes not to contract or guarantee **nonconcessional debt**. This continuous quantitative benchmark is assessed on a cumulative basis from October 1, 2021.
- The government undertakes not to disburse **nonconcessional debt**.

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

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

#### *b) Indicative Targets*

#### **Floor for social spending**

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

#### **Ceiling on spending using extraordinary procedures**

- This ceiling is set at 5 percent of total non-wage spending, debt service (principal and interest) and externally financed spending.

#### **Floor for the payment of domestic arrears**

- The government undertakes to settle validated **domestic arrears** on a priority basis.

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

- This ceiling is set at CFAF 25 billion in 2021 and CFAF 15 billion in the first quarter of 2022.

**C. Adjusters of Quantitative Benchmarks**

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

- If total revenue from privatizations, sales of financial assets or renewals of telecommunications licenses or forestry or oil licenses is greater than the amount programmed, the following adjustments will be made:
  - The ceiling on net domestic financing of the government will be adjusted upward by an amount equivalent to 50 percent of these additional receipts;
  - The floor for the primary domestic fiscal balance will be adjusted downward by an amount equivalent to 50 percent of these additional receipts.
- If total budgetary support exceeds the amount programmed, the ceiling on net domestic financing of the government will be adjusted downward by an amount equivalent to 100 percent of the difference between the programmed and actual disbursements.
- If total budgetary support is less than the amount programmed, the ceiling on net domestic financing of the government will be adjusted upward by an amount equivalent to 100 percent of the difference between the programmed and actual disbursements.

**D. Structural Benchmarks***a) Prior Actions*

These measures must be implemented prior to the submission of the staff-monitored program to IMF management.

**14. Submit to the National Assembly a draft supplementary budget that is in line with the objectives of the staff-monitored program for 2021.**

**Eliminate government agencies that have no economic justification.**

- The seven government agencies to be eliminated are: the Autonomous Electricity Sector Regulation Agency (ARSEC), the Minerals and Gems Facility (COMIGEM), the Agency for the Regulation and Stabilization of Petroleum Product Prices (ASRP), the National Environment Fund (FNE), the Mining Development Fund (FMN), the Agro-Pastoral Development Fund (FDAP), and the Special Earmarked Fund for the Development of Tourism and Crafts (CAS-DTA).

**Publish online an independent audit of COVID-related expenditure executed in 2020.**

- This audit will cover all budgetary spending related to COVID-19, including spending in the supplementary budget for 2020, will be conducted by the Audit Office, and should be published in its entirety.

*b) Structural Benchmarks***Submit to the National Assembly a draft supplementary budget for 2022 that is consistent with the objectives of the staff-monitored program.**

- This draft law should be consistent with the commitments made in paragraphs 21 and 22 of the MEFP and will be submitted to the National Assembly by December 31, 2021.

**Issue a ministerial order effective end-March 2022 suspending import activities by large importers who are not fully compliant with their tax obligations.**

- The ministerial suspension order should be issued by end-December 2021 to encourage taxpayers to fulfill their obligations.

**Issue a ministerial order making the systematic use of the electronic declaration system mandatory for large taxpayers by December 31, 2022.**

- The ministerial order should be issued by December 31, 2021.

**Submit to the National Assembly a new anticorruption law that is consistent with the requirements United Nations Convention against Corruption.**

- This new anti-corruption law should be consistent with the requirements of the United Nations Convention Against Corruption (UNCAC) and the Financial Action Task Force and be submitted to the National Assembly by end-January 2022.

**Adjust the ASYCUDA++ customs processing system to ensure that the values recommended by Webb Fontaine are automatically reflected in importers' customs declarations.**

- This automatic processing and the execution of the related automatic controls should be operational by end-February 2022.

**E. Reporting of Data to the IMF**

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

**Table 1. Central African Republic: Reporting of Data to the IMF Under the Staff-Monitored Program**

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