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Central African Republic
Third Economic Management and Governance Reform Grant (EMGRG III)
Grant No. H6120-CA
Release of the Second Tranche – Full Compliance

Tranche Release Document

I. Background

1. The EMGRG III aims to mitigate the effects of the global financial crisis in CAR. The objectives of the grant were to improve transparency and efficiency in the management of public resources and promote private sector development through reforms aimed at: (i) strengthening budget execution and reporting as well as public procurement, and improving revenue administration to increase domestic revenue, with the view to expand public investment in priority sectors; (ii) strengthening the regulatory framework in the forestry, mining and petroleum sectors so that they can continue to be a source of sustainable growth, employment and incomes; and (iii) improving the business environment by reducing the cost of doing business.

2. CAR has maintained macroeconomic stability and has made good progress in implementing financial and structural reforms. However, the implementation of EMGRG III has been delayed as the result of the lengthy three-time postponement of presidential and legislative elections, originally scheduled for April 2010, and transitory fiscal slippages. Elections were finally conducted in January 2011 and the grant is expected to close in March 2012, after two extensions of the closing date. The lengthy electoral process and subsequent tensions between political parties on account of alleged election irregularities delayed the formation of a new government, and weakened the implementation of the reform program. A joint IDA-IMF mission in June-July 2011 found fiscal slippages as a result of important extra-budgetary spending and non-observance of public accounting procedures. Macroeconomic stability was undermined, requiring remedial actions to meet the tranche release conditions as specified in Section II of Schedule I to the Financing Agreement. The IMF Article IV mission in November 2011 acknowledged that progress had been made in the implementation of the correctives measures recommended in July 2011. Based on satisfactory implementation of the correctives measures, the IMF intends to negotiate another Extended Credit Facility in March 2012.

II. Recent Economic Developments

3. CAR faces significant long-term challenges for development policy to generate and sustain high rates of economic growth to enhance social indicators. CAR's economy has registered a growth rate of 3.3 percent in 2010 from 1.7 percent in 2009. The recovery is partly due to a relative security and the resumption of agricultural production in some of the secured

rural areas. In addition, the stronger domestic demand thanks to higher household consumption contributed to the recovery. However, on account of post electoral uncertainties and delays registered in implementing the mining projects (AREVA, AXMIN), growth in 2011 slowed to 3.1 percent as compared to earlier projections of 4.1 percent. Insecurity and exogenous shocks remain a serious threat to CAR's growth and to the faster reduction of poverty or the improvement of MDG indicators.

4. Inflationary pressures fed by higher food prices in 2008 declined to an annual average rate of 0.7 percent in 2011. The surge in food inflation in 2008 and early in 2009 reflected mainly higher prices for cereals (46 percent). Inflation declined from 9.3 percent in 2008 to 1.5 percent in 2010 as a result of the government's decision in 2010 to suspend the automatic adjustment of fuel prices and reduce the VAT on key food imports, such as rice and vegetables. In addition, CAR received adequate assistance from IDA through its crisis response window. Other partners provided seeds and extensive services to producers, as well as supported WFP's efforts in CAR. Imported food prices on average declined progressively from 11.8 percent in 2008 to 3.4 percent in 2009 and further to 1.4 percent in 2010. Average inflation has continued its downward trend and fell to 0.7 percent in 2011 owing to increased local food production and depressed domestic demand.

5. The external position deteriorated in 2010 and 2011. The current account deficit widened to 9.9 percent of GDP in 2010 reflecting the surge in international oil prices. Gross reserves fell only marginally as foreign direct investment inflows increased significantly. The current account deficit declined in 2011 to 7.2 percent of GDP on account of improved terms of trade. However as a result of lower foreign capital inflows, international reserves fell to 2.7 months of goods and services.

6. The fiscal situation deteriorated sharply in December 2010 despite improvement of revenue collection and significant disbursements by donors. In 2010, expenditures soared on account of funding for security, pre-elections (of January 2011) spending and the global economic crisis. From an average of 14.8 percent of GDP in 2004-2008, government expenditures reached 19.4 percent of GDP in 2010. Wages and salaries were reduced to 4.4 percent in 2010 from 4.5 percent of GDP in 2009, while expenditures on goods and services rose to 3.8 percent of GDP in 2010 from 3.0 percent of GDP in 2009. Transfers also increased from 2.6 percent of GDP in 2009 to 3.3 percent of GDP in 2010, reflecting an increase in spending to finance expenditures relating to the Demobilization, Disarmament and Reintegration (DDR) process, a key element of the peace process. The overall fiscal deficit excluding grants deteriorated to 7.7 percent of GDP in 2010 from a level of 5.4 percent of GDP in 2009. As a result, fiscal imbalances widened and payment arrears were accumulated to domestic suppliers and external creditors for a total amount of US$9.8 million.

7. Fiscal slippages of 2010 and early 2011 have threatened macroeconomic stability with a risk of reversing the progress achieved since the HIPC completion point in 2009. The joint IDA-IMF mission in June-July 2011 found fiscal slippages as a result of important extra-budgetary spending and non-observance of public accounting procedures, raising serious governance concerns. Macroeconomic stability was undermined, requiring remedial actions to meet the tranche release conditions as specified in Section II of Schedule I to the Financing

Agreement. As reported in the staff report of January 17, 2012, the IMF Article IV mission in November 2011 was satisfied that progress had been made in the implementation of the correctives measures resulting in a better fiscal outcome in 2011. Based on this, the IMF intends to negotiate another Extended Credit Facility beginning March 2012.

8. The medium-term outlook shows improvement, while the CAR is making efforts to implement its program of reforms. Growth is projected to reach 4.1 percent in 2012, reflecting sustained agricultural production and forestry activities. With improved security in the countryside, implementation of key projects, including the IDA- financed agricultural project, will boost the production in the agricultural sector. In addition, reforms to improve business environment are being developed and implemented. Costs of the creation of a business and the transfer of urban commercial real property have been reduced by half. Illegal payments of social security taxes, even before a start of business, have been eliminated. Significant steps have been taken to revise the Business Code as well as the Investment Code with support from IFC.

9. Fiscal position and external accounts are expected to improve in 2012. The 2012 budget aims at further reducing the current primary expenditure to 10.9 percent of GDP in harmony with analogous efforts in 2011. Inflation would be contained under the convergence level at 2.5 percent on account of lower projected food prices. The external current account deficit is projected to decline to 6.8 percent of the GDP with a resumption of donors support. Hands-on measures are being implemented and aiming at building capacity and strengthening budget execution. Several actions are completed and include: (i) the resumption of the adjustment of domestic petroleum prices, gasoline price increased in January 2012 by 4 percent, (ii) the Committee in charge of liquidity management and monitoring has been revived and a technical unit has been set up to assist in the preparation of monthly cash flow projections and weekly monitoring of expenditures commitments, (iii) in addition, staff in the treasury department has been instructed to abide by public accounting procedures and pay only expenditures duly processed through the computerized information system, (iv) Staff in the Treasury department has been redeployed based on competencies and the new reforms committee unit is being strengthened with support from the EU.

10. Active coordination among Donors intends to tighten the monitoring of the reform programs and resume budget support operations to CAR. The budget execution slippages of 2010 prevented donors to timely disburse their budget support. The suspension of budget support disbursements by donors in 2011 together with the lower domestic revenue has generated a very tight fiscal situation and intensified liquidity constraints. The government responded with cuts in public expenditure, which are projected to decrease to 17.2 percent of GDP in 2012 from 19.4 percent in 2010, thus reducing the overall fiscal deficit excluding grants by 2.1 percentage points to 5.6 percent of GDP. However, should the CAR not receive grants, the projections show that the 2012 budget is likely not to be fully financed and likely to face a residual financing gap of 3.3 percent of GDP. Donors including IDA, EU and AfDB support the government's endeavors to maintain the stabilization program on track and will monitor closely its efforts toward an agreement with the IMF by March 2012. The Executive Directors of the IMF considered that a new Fund arrangement could help solidify macroeconomic stabilization and support the government's reform agenda.

11. The 2010 joint IMF-World Bank debt sustainability framework for low-income countries indicates a moderate risk of debt distress for CAR. CAR continues to be vulnerable to slow GDP growth and export growth shocks which could impair its ability to service its debt in the medium-term. CAR's total debt, including arrears, increased reaching 39.6 percent of GDP in 2011, well above the projected level of 27 percent in the 2010 DSA. The debt dynamic in 2010-2011 was driven by arrears accumulation on both domestic and external debt and a steady rise in external borrowing from Non-Paris Club members to finance infrastructure projects and social programs. In 2010-2011, CAR contracted concessional loans from India and China for US$52.3 million (2.4 percent of GDP). Accumulation of arrears on external debt amounted to US$9.8 million (equivalent to 0.5 percent of GDP) of which US$1.4 million is due to Paris Club creditors and US$2.6 million to the European Investment Bank, and the balance to other Non-Paris Club creditors that have not yet signed bilateral agreements with CAR. Domestic debt accumulation amounted to 2.7 percent of the GDP. The government's debt strategy emphasizes prudent borrowing in order to preserve external debt sustainability.

III. Progress against Tranche Release Criteria

A. Improve Public Finance Management

Condition 1: The Recipient's Court of Account has published its report on the implementation of the 2008 budget law (Loi des finances) and the Recipient's Ministry of Finance and Budget has submitted the 2008 budget review law (Loi de règlement) to the Recipient's Parliament.

12. The condition is met. The Court of Account undertook an exhaustive review in accordance with the legal framework and produced a report including a general declaration of conformity. The report was then sent to parliament and published on the website of the government (http://www.minplan-rca.org/), In addition, the government has submitted the 2008 budget review law (Loi de règlement) to parliament on December 28, 2011. Laws are reviewed in two sessions in the year (October and March) and no meetings are organized during the inter-session. The law will be examined in March 2012. The budget review law of 2008 fiscal year and the Court of Account's report constitute for the first time the basis upon which parliament has been able to exercise full external control over the government's budget execution. The CAR authorities have taken measures to accelerate the preparation of subsequent reports for fiscal years 2009 and 2010 and their presentation to parliament.

Condition 2: The ARMP (Recipient's Public Procurement Regulatory Authority) has endorsed a report which assesses compliance with the provisions of the new procurement code and identifies necessary corrective measures.

13. The condition is met. The public procurement regulatory agency has prepared for the first time a report which assesses compliance with the provisions of the new Procurement Code adopted in June 2008. The report discloses some flaws including lack of knowledge of the procedures by some core administration members in many procurement units, inexistence of archives and abuse of the procurement sole source method. As a result, correctives measures were identified and are being implemented. The legislation to eliminate the possibility for a

commission to receive bidding documents at the opening of the session has been revised. In addition, under the IDF provided by IDA, the authorities have provided training to 80 staff working on procurement in CAR and have disseminated core documentation to procurement services including to the private sector. The authorities have also improved the PFM reform plan on the basis of recommendations from a review of consultations in the context of the "Etats Généraux des Finances Publiques" held in September 8-10, 2011 in Bangui. The new action plan also includes capacity building activities.

Condition 3: CAR has settled at least CFAF 500,000,000 of arrears due to small- and medium-enterprises in accordance with the Arrears Order.

14. The condition is met. As a condition for the first tranche, the authorities issued the arrears order to regulate the payment of state domestic arrears according to criteria and terms of regular procedures and following established transparency principles. In particular, the government instructed the administrative services to pay eligible arrears through commercial banks based upon a public authorized list. Based upon these criteria, CFAF 849,037,041 of arrears were paid to small and medium-enterprises out of CFAF 9.4 billion of arrears settlement.

B. Strengthen Public Sector and Economic Governance

Condition 4: The Recipient has adopted (i) a framework document for a national tracking system, and (ii) a framework document for a national system of verification of the legality of timber production, in compliance with Forest Law Enforcement, Governance and Trade (FLEGT) procedures.

15. The condition is met. The Government has finalized and adopted the Voluntary Partnership Agreement with the European Union through the FLEGT legislation which is designed to (a) develop a clear and agreed definition of conflict timber, (b) develop mechanisms to conduct independent forest assessment and monitoring, and (c) strengthen national and local mechanisms for sharing and exchanging information on forest management. The Agreement between EU and CAR was signed on December 2010 and also includes a framework document for a national tracking system defined in the articles 8, 9 and 10 of the Agreement, and a framework document for a national system of verification of the legality of timber production as stated in the Article 13 of the Agreement and its Annex 5. The national tracking system should be regularly assessed by an independent auditor and the related terms of reference are included in the Agreement. The FLEGT was adopted by Parliament on November 2011.

Condition 5: The Recipient has posted on official websites its second EITI report covering years 2007, 2008 and 2009 and the reports have been disseminated in the Recipient's territory.

16. The condition is met. Based on extensive consultations with stakeholders including the public sector, mining operators, and representatives of civil society, the second EITI report prepared by an independent auditor was released and posted on the EITI website (http://www.itierca.org/). The Steering Committee met and reviewed the EITI report for 2007, 2008 and 2009 regarding tax revenue reconciliation of gold and diamond production. An

independent validator was also recruited by the Government to assess the CAR EITI process and the final report was released in November 2010 and posted on the EITI website. In-depth analysis of 18 indicators revealed that the validation criteria have been met. As such, the validator recommended to the Board of Directors of the EITI that the Central African Republic be declared compliant country. CAR was then designated as 'EITI-Compliant' by the EITI Board on March 2, 2011 and received the EITI Chair's Awards as a result of its efforts to achieve the remarkable results in difficult circumstances, and having surpassed the EITI minimum standard.

Condition 6: The recipient has adopted legislation and/or regulations on the downstream petroleum sector which: (i) set forth the respective roles and responsibilities of the petroleum sector regulatory agency (ASRP), the state-owned storage company of petroleum products (SOCASP), and the Recipient's Ministry of Mines and Energy (Ministère des mines et de l'energie) in the downstream petroleum sector, and (ii) the methodology for determining the price of petroleum products in the Recipient's territory.

17. The condition is met. A new legislation on the downstream petroleum sector has been enacted and includes (i) decree No 12.019 of February 2, 2012 aiming to regulate the downstream petroleum sector in accordance with the Law No 07.005 of April 2007 pertaining to the reorganization of the downstream petroleum sector in CAR, (ii) the pricing mechanism of petroleum products based on new parameters and unit prices. Prices are set to be adjusted (in line with international oil price movements) on a monthly basis to safeguard government revenue objectives and the development of the sector. The price structure has been revised to redefine parameters and suppress irrelevant and unjustified costs of virtual stocks, and a VAT has been created, collecting revenues upfront, based on the CIF prices in Kolongo (border with DRC).

18. On the institutional front, responsibilities have been well defined among the three entities: ASRP, the Ministry of Energy and the state-owned storage company (SOCAPS). Based on the new legislation, CAR is now equipped with more flexible and more stringent regulations. Open entry into the downstream sector including the creation of points of sale (fixed and mobile) is enforced by the new decree, as well as the free access to the property and logistic assets, private storage and provisions to implement pipeline. The new decree also provides strict technical and business operating settings with respect to the consumer environment and market conditions (licensing, terms of sale, open access, standard conventions, etc.). In the new context, ASRP plays a major role in facilitating and organizing the orderly development of the downstream sector. In conjunction with customs, ASRP will lead the fight against smuggling and fraud since prices of petroleum products in neighboring countries are lower by about 30 percent compared with the Central African Republic.

Condition 7: An audit report on, inter alia, the use of funds by ASRP (the Recipient's petroleum sector regulatory agency) has been prepared by an independent consultant(s) and endorsed by the Recipient's Ministry of Finance and Budget.

19. The condition is met. An audit report on the use of funds by ASRP covering fiscal years 2008, 2009 and 2010 has been prepared by an independent consultant and endorsed by the Ministry of Finance and Budget. The report has revealed a weak management capacity of the ASRP including: (i) lack of validated accounts of the agency, (ii) violation of procedures in the

use of funds, (iii) inadequate internal control. The government has endorsed the report and the Agency account is under the scrutiny of the Minister of Finance. An action plan for addressing the identified weaknesses has been adopted and is being implemented.

C. Promote Private Sector Development

Condition 8: The Recipient has reduced administrative costs arising from (A) the creation of a business and (B) the transfer of urban commercial real estate property (mutation d'immeubles urbains bâtis et non-bâtis) by amending the Recipient's Registration Code (Code de l'enregistrement) so as to reduce the registration fees in connection with (i) the creation of a business; and (2) the transfer of urban commercial real estate property (mutation d'immeubles urbains bâtis et non-bâtis), each by at least fifty (50) percent.

20. The condition is met. Administrative costs arising from the creation of a business and the transfer of urban commercial real property have been reduced by at least fifty (50) percent with the vote of the 2011 National Budget. The law ("Loi de Finances") was promulgated by President Bozize on December 2010. Its article 11 amends the relevant tax provisions (articles 301 and 302 of "Code de l'Enregistrement") to legally allow the following: (i) Business Creation: reduction by more than half of the minimum fees for capital installments of less than 100,000,00 CFAF: from 150.000 to 70.000 CFAF, (ii) Transfer of Property: reduction by 50 percent of the transfer tax ("droits d'enregistrement"): from 15 percent to 7.50 percent for developed property ("immeubles bâtis") and from 12 percent to 6 percent for undeveloped property ("immeubles non- bâtis").

IV. Conclusion and Recommendation

21. In view of the overall performance and progress with the implementation of the program supported by the EMGRG III, and in compliance with the specific conditions of release as described in Part B of Section I of Schedule I to the Financing Agreement, IDA has informed CAR of the availability of the second tranche in the equivalent of SDR 2.9 million.

Robert B. Zoellik
President

Annex 1: Table 1: Main Economic Indicators, 2007-2012 (in units indicated)

	2007	2008	2009	2010	2011	2012
				Est.	projections	
Real GDP growth Annual percentage change	3.7	2.0	1.7	3.3	3.1	4.1
Inflation (CPI annual average)	0.9	9.3	3.5	1.5	0.7	2.5
Public finance (% of GDP)						
Total revenue	14.4	15.2	16.1	18.0	14.7	16.2
Tax revenue	7.3	8.0	8.7	9.4	9.5	9.9
Non-tax revenue	3.0	2.5	2.1	2.3	1.7	1.6
Grants	4.1	4.8	5.3	6.3	3.5	4.6
Total expenditure	13.2	16.2	16.2	19.4	17.7	17.2
Current Expenditures	8.2	9.8	10.1	11.5	11.2	10.8
Wages and salaries	4.6	4.3	4.5	4.4	4.5	4.4
Goods and services	1.8	2.7	3.0	3.8	3.2	2.9
Capital Expenditure	3.6	4.5	4.9	6.8	5.7	5.7
o/w domestically financed	1.1	1.2	1.0	1.1	1.9	0.9
Fiscal balance						
Excluding grants	-2.9	-5.8	-5.4	-7.7	-6.5	-5.6
Domestic primary balance	1.0	-0.5	-0.3	-1.0	-1.9	-0.1
Including grants	1.2	-1.0	-0.1	-1.4	-2.9	-1.0
Change in arrears ((-)= reduction)	-2.0	-0.6	-0.5	-0.6	0.7	-1.6
Domestic	-1.7	-0.6	-0.5	-0.8	0.5	-1.4
External	-0.3	0.0	0.0	0.1	0.2	-0.3
External sector (% of GDP)						
Current-account balance	-6.2	-9.9	-8.1	-9.9	-7.2	-6.8
Overall balance of payments	-3.5	0.4	-0.6	-0.2	-0.5	-2.4
NPV of external public and publicly guaranteed debt	41.0	36.2	7.5	10.7	12.3	13.0
Gross official reserves (months of imports)	2.4	3.5	3.3	3.2	2.7	3.0
Memorandum items						
Nominal GDP (CFAF billion)	813	888	935	983.0	1022	1092
Gross investment rate (% of GDP)	10.0	12.7	13.2	15.1	14.1	14.5
….of which *Private Sector*	6.2	8.2	8.2	8.2	8.4	8.8
Exports volumes - Annual percentage change	5.1	-15.5	-21.9	10.0	21.0	14.6
Imports volumes - Annual percentage change	3.1	-2.2	13.3	3.6	-16.3	18.2
Terms of trade Annual percentage change	-10.4	-20.1	40.8	-6.3	0.9	0.6

Source: IMF and CAR Authorities

INTERNATIONAL MONETARY FUND
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EXTERNAL RELATIONS DEPARTMENT

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IMF Executive Board Concludes 2011 Article IV Consultation with the Central African Republic

On January 30, 2012, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the Central African Republic (C.A.R.).[1]

Background

Since the conclusion of the last Article IV consultation in December 2009, the C.A.R. continued to grapple with the challenges of a fragile post-conflict state. Macroeconomic performance over the past few years has been broadly satisfactory but growth remained modest and well below the averages for sub-Saharan Africa and other fragile states. Insufficient domestic and external resources, deep-rooted structural deficiencies, weak institutional capacity, and a poor business environment are enduring factors holding back economic take-off. The economy is highly dependent on external assistance, poverty is pervasive, and social indicators are generally weak.

In 2010–11, real gross domestic product (GDP) growth averaged 3.2 percent, thanks mainly to rebounding agricultural production, which helped to bring down inflation to less than 1 percent by end-2011. Growth in 2011 was slightly weaker than forecast because the expected post-election recovery of domestic demand did not materialize and uncertainties delayed major investments in the mining sector and oil exploration. However, the prospects for 2012 are favorable, predicated on continued good performance of the primary sector, particularly agriculture and forestry activities, and the resumption of delayed investments in the mining sector. But risks to this outlook are on the downside, as domestic and

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

global uncertainties continue to weigh on the C.A.R. economy.

The fiscal position deteriorated sharply in 2010 with payment arrears accumulated to domestic and external creditors, reversing hard-won gains under the program supported by the Extended Credit Facility (ECF). Also, lack of transparency and due process in budget execution led to serious governance concerns and the suspension of budget support by donors. Though domestic revenue benefitted from a number of one-off effects to reach 11.6 percent of GDP, expenditures surged, fueled by election-related spending, sending the overall budget deficit, excluding grants, to 7.7 percent of GDP. A tight liquidity situation in 2011, mainly resulting from donors suspending budget support, prompted the authorities to curtail expenditures, which resulted in a decline of the overall deficit by 1.2 percentage points of GDP. The fiscal position is projected to improve further in 2012 on strengthened expenditure control and revenue measures adopted together with the 2012 budget.

Following a slowdown during the period leading to the elections, the C.A.R. authorities have recently stepped up implementation of structural measures, including strengthening budget execution and the monitoring capacity of macroeconomic developments, and improving the operations of state-owned enterprises and key public agencies.

Executive Board Assessment

Executive Directors welcomed the resilience of the economy of the Central African Republic (C.A.R.) in the face of the global crisis. While the short term outlook is favorable, C.A.R. faces significant challenges as a fragile state to enhance medium term growth prospects and reduce poverty. Directors stressed the importance of strengthening budget execution, addressing structural and infrastructural bottlenecks, and building capacity, along with improved security and political stability.

Directors regretted the fiscal slippages and underlying governance issues in 2010 and early 2011. They welcomed the measures taken to restore budget discipline and enhance transparency in the use of public funds and called for their steadfast implementation. They encouraged the authorities to redouble their efforts to strengthen public financial management, increase domestic resource mobilization, prioritize spending, and enhance donor coordination to better leverage Technical Assistance resources. Directors welcomed the recent adjustment in domestic petroleum prices. They stressed the importance of regular adjustments to ensure full pass through of international prices and safeguard fiscal resources for priority investments, along with measures to protect the poor.

Directors welcomed the second generation Poverty Reduction and Strategy Paper (PRSP). It lays out a comprehensive reform strategy to help mobilize donor assistance to build capacity, boost investment in physical infrastructure and social programs, and make progress towards the Millennium Developments Goals.

Directors noted that formidable challenges remain to improve competitiveness and develop the private sector. They encouraged the authorities to persevere in their efforts to address the structural weaknesses confronting the economy, improve the business climate, enhance the delivery of public services, and

deepen financial intermediation. Directors welcomed the recapitalization of commercial banks, and encouraged the authorities to step up their efforts to divest their majority stake in the ailing bank.

Directors regretted the accumulation of external payment arrears, including to Paris Club and multilateral creditors, and urged the authorities to settle these arrears as soon as possible. They encouraged the authorities to strengthen public debt management and avoid contracting nonconcessional loans, including expensive domestic bank financing, to preserve debt sustainability. They supported the authorities' continued efforts in seeking debt relief from all bilateral and commercial creditors on terms consistent with the HIPC/MDRI Initiatives.

Directors stressed the importance of adequate macroeconomic data and encouraged the authorities to strengthen the statistical agency.

Directors considered that a new Fund arrangement could help solidify macroeconomic stabilization and support the authorities' reform agenda. They stressed that strong ownership and commitment, including strengthened budget execution and governance, will be key.

Central African Republic: Selected Economic Indicators

	2008	2009	2010 Est.	2011 Proj.	2012 Proj.
		(Annual percentage change)			
National accounts and prices					
GDP at constant prices	2.0	1.7	3.3	3.1	4.1
Inflation (period average)	9.3	3.5	1.5	0.7	2.5
Unemployment rate (in percent)	…	…	…	…	…
External sector					
Current account balance (in percent of GDP)	-9.9	-8.1	-9.9	-7.2	-6.8
Exports, f.o.b. (US$ basis)	-16.9	-12.6	11.9	42.0	16.6
Export volume of goods	-15.5	-21.9	10.0	21.0	14.6
Import, f.o.b. (US$ basis)	20.3	-9.9	12.5	-2.6	19.7
Import volume of goods	-2.2	13.3	3.6	-16.3	18.2
Gross national savings (percent of GDP)	2.9	5.1	5.1	6.9	7.7
Gross domestic investment (percent of GDP)	12.7	13.2	15.1	14.1	14.5
Terms of trade (change in percent)	-20.1	40.8	-6.3	0.9	0.6
Nominal effective exchange rate	1.7	-0.8	-4.2	…	…
Real effective exchange rate	7.5	2.0	-4.7	…	…
Money and credit					
Broad money	15.9	14.4	14.2	5.5	8.4
		(In percent of GDP)			
Central government finance					
Total revenue	15.2	16.1	18.0	14.7	16.2
Total expenditure	-16.2	-16.2	-22.8	-17.7	-17.2
Overall balance	-1.0	-0.1	-1.4	-3.0	-1.0
Public debt					
Total debt	80.3	35.0	37.8	39.6	38.2
Domestic debt	23.3	20.4	21.2	21.3	17.9

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