Appendix I. Letter of Intent

Bangui, December 20, 2021

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

Madam Managing Director:

The end of 2020 and the beginning of 2021 witnessed a significant deterioration in the security situation, which has exacerbated the negative impact of the COVID-19 pandemic on our economy and our peoples. The progress achieved in implementing the Political Agreement for Peace and Reconciliation (Accord politique pour la paix et la réconciliation – APPR) signed in February 2019 was thus momentarily called into question by the attacks made by the Coalition of Patriots for Change (CPC) in December 2020-January 2021. This coalition of six armed groups sought to prevent the holding of the December 2020 presidential and legislative elections. With the support of our partners, we successfully repelled the assaults of the anti-government forces, restored security in most of the country, and safeguarded the Douala-Bangui trade corridor, which has enabled us gradually to restore trade flows and economic activity. Following the elections, President Touadéra was sworn in on March 30, 2021 for a second term, while the seventh legislature convened in the National Assembly on May 3, 2021.

The tasks in store for us are immense, at a time when the Central African Republic (C.A.R.) confronts considerable security, humanitarian, health, economic, and environmental challenges. It is our intention to build on the efforts undertaken since 2016 to promote peace, a prerequisite for the sustainable and inclusive growth that our populations so badly need. To this end, we have initiated a republican dialogue with our nation’s stakeholders and the democratic opposition, and we have begun to assess the APPR with the view to learn lessons from its implementation and revive it. President Touadéra is participating in the regional efforts to identify a peaceful solution to the security situation in C.A.R., and he accordingly declared a unilateral ceasefire on October 15, 2021. The establishment of a commission of inquiry tasked with examining possible violations as well as the publication (in early October) of the report of the commission of inquiry examining human rights violations, serve to underscore our commitment not to tolerate such abuses, irrespective of the parties involved.
Our priority in terms of security is to build on the gains made in recent months, and in particular to ensure the sustainable security of the trade corridor, in order to allow a sustained recovery in economic activity. At the same time, we wish to avoid a resurgence of the COVID-19 pandemic. In the context of the COVAX initiative, and with the support of our partners, we intend to vaccinate 3 million of our fellow citizens through end-2022.

This context did not allow us to fully honor the commitments we had made under the economic program supported by the IMF Extended Credit Facility (ECF). It is true that our domestic revenues were significantly higher than the target set in 2020. However, a significant increase in spending during the final months of the year, partly linked to the need to address the deteriorating security situation, meant that we were unable to meet the other performance criteria set for end-December 2020. Delays were also recorded in the implementation of structural reforms.

The challenges facing fiscal policy this year and in coming years are considerable. The decline in our domestic revenues that resulted from the pandemic and the security crisis, coupled with our considerable needs in terms of priority expenditures (security, social, and infrastructure), call for rigorous budget execution and a priority use of grants from our development partners. In order to increase our fiscal space, we intend to implement in the months and years ahead an ambitious program of fiscal and governance reforms, which, we are convinced, will help reduce the risks of debt distress.

To help us deal with this situation and pursue the objectives of our National Recovery and Peacebuilding Plan (Plan de Relèvement et de Consolidation de la Paix en Centrafrique-RCPCA), we are requesting a seven-month (December 1, 2021–June 30, 2022) staff-monitored program (SMP). This program will enable us to once again show our commitment and capacity to implement ambitious economic policies and structural reforms (as described in the attached Memorandum of Economic and Financial Policies (MEFP)), with the aim of resuming the ECF-supported program in the second half of 2022. The SMP will also provide an adequate macroeconomic framework for the implementation of these policies and reforms while enabling us to continue to benefit from the support of our other partners. We are pleased to inform you that we have already implemented the three prior actions set in the context of this program.

We are convinced that the policies and measures set forth in the MEFP are appropriate for meeting the SMP objectives. However, we stand ready to take any additional measures that prove necessary to achieve these objectives. The authorities will consult with the IMF prior to implementing any revisions to the policies set forth in the MEFP. We will also provide Fund staff with all data and information needed to assess the policies and measures contained in the Technical Memorandum of Understanding (TMU).

We intend to publish the IMF staff report, including this letter of intent and the attached MEFP and TMU. We therefore authorize IMF staff to publish these documents on the IMF website once IMF management has approved this SMP.
Very truly yours,

/s/
Felix Mouloua
On behalf of Minister of Finance and Budget
(on mission)
Minister of Economy, Planning and
International Cooperation

/s/
Henri-Marie Dondra
Prime Minister
Head of Government

Attachments:
- Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding
Attachment I. Memorandum of Economic and Financial Policies

This memorandum presents the economic and financial policies that the government of the Central African Republic (C.A.R.) intends to implement from December 1, 2021 to June 30, 2022 under a Staff-Monitored Program (SMP) agreed with the International Monetary Fund (IMF). More precisely, this memorandum describes the overall context, the recent macroeconomic developments, progress to date in implementing the program supported by the Extended Credit Facility (ECF), the short-term economic outlook and risks, as well as the macroeconomic policies and structural reforms that we intend to implement over the coming months.

A. Overall Context

1. President Touadéra was re-elected for a second term in the first round of the presidential election held on December 27, 2020. Despite threats and pressures from various armed groups to prevent them, the presidential and legislative elections were held as planned on December 27 in most of the electoral districts, and were pronounced free and transparent by national and international observers. The second round of the legislative elections, and in certain cases both rounds, were held in 2021, in a more peaceful environment, thus paving the way for the opening of the seventh legislature on May 3, 2021. A new government was formed on June 23, 2021. Our task is daunting, as the Central African Republic faces considerable security, humanitarian, health, economic, and environmental challenges.

2. We fended off the attacks of the Coalition of Patriots for Change (CPC) and restored government control in the regions. This coalition of six armed groups tried to seize power by force in January 2021. Having failed in that attempt, the CPC blocked the trade corridor linking Bangui to the border with Cameroon. We repelled the assaults of anti-government forces, restored security in most of the country, and secured the corridor, which has allowed us to gradually resume trade flows and economic activity.

3. We intend to build on the progress made since 2016 toward peacebuilding and recovery through sustainable economic growth. President Touadéra has already launched a republican dialogue with all the country’s major stakeholders and the democratic opposition, expressing his will to work with all his fellow citizens to promote peace and inclusion, regardless of their political, regional, ethnic, or religious backgrounds. He has also called for an assessment of the Political Agreement for Peace and Reconciliation (APPR) signed in February 2019 by the government and 14 armed groups. This assessment has made it possible to draw lessons and to reinvigorate the Agreement, which we consider the ideal framework for the peace process with the armed groups, despite the numerous violations of its provisions by some of its signatories. Lastly, President Touadéra is participating in efforts at the sub-regional level to find a peaceful solution to the security situation in the C.A.R. Within the framework of the Luanda Roadmap, which was signed by four out of the six armed groups making up the CPC, he thus declared a unilateral ceasefire last October 15. We remain committed to protecting the population, with zero tolerance for human rights violations, regardless of who commits them. The establishment
of a Commission of Inquiry to examine possible violations, and the publication at the beginning of October of its report, is a testament to that commitment. Lastly, in the context of the Staff- Monitored Program with the IMF, we intend to forge ahead with the economic policies and structural reforms needed to sustainably establish inclusive growth in the Central African Republic.

4. **The number of cases and deaths from Covid-19 remains low, and so is vaccination.** The measured impact of the Covid-19 pandemic is still low, with around 11,127 cumulative infections (0.2 percent of the total population) and a total of 103 deaths as of mid-November 2021. The real impact of the pandemic is nevertheless probably much greater, since our capacity to monitor it remains very limited. The vaccination rate remains low since the vaccination campaign was launched on May 20, 2021, owing to the limited availability of vaccines and the high reluctance on the part of the population to obtain vaccinations. As of mid-November 2021, only 5.9 percent of the total population was entirely vaccinated. The C.A.R. benefits from the worldwide rollout of vaccines through the UN’s COVAX Initiative, with 372,000 doses now expected. Supply from the bilateral donors has also increased, including the 150,000 doses provided by China on July 6, 2021. The World Bank is expected to provide 25.5 million dollars in grants to fund the vaccination campaign.

B. **Recent Macroeconomic Developments**

**Developments for 2020**

5. **Growth in 2020 is estimated at 1 per cent, which is higher than the zero percent projected under the ECF-supported program, owing to the increase in public expenditure and the lifting of pandemic-related restrictions.** The sectors that supported this good outcome are, in particular, food crops, mining, and the central government. Primarily reflecting a sharp increase in food prices, inflation accelerated at end-2020 to 4.8 percent on a year-on-year basis.

6. **The external current account balance deteriorated in 2020.** The current account deficit was revised to 8½ percent of GDP (compared with the 7½ percent projected under the ECF- supported program), chiefly as a result of an increase in the prices of oil imports and the non- disbursement of its budget support by the French Development Agency (AFD).

7. **Despite significantly higher-than-expected domestic revenue, the domestic primary budget deficit was larger than anticipated in 2020.** Domestic revenue amounted to CFAF 125.7 billion, compared with CFAF 115 billion under the ECF-supported program, reflecting stronger economic growth and higher net revenue from petroleum products (as the drop in international prices was not passed through to domestic prices). The domestic primary deficit, however, was larger than expected (CFAF 90 billion compared with a projection of CFAF 81.9 billion), owing to the sharp rise in current and investment expenditure at year’s end, explained in part by the deterioration of the security situation and additional expenditures related to the
presidential and legislative elections. Pandemic-related expenditure was lower than forecast, with only 72 percent of the appropriations included in the 2020 supplementary budget executed by year’s end. This was also true of social expenditure (CFAF 31.3 billion compared with a target of CFAF 35 billion) and of the repayment of domestic payment arrears (CFAF 14.4 billion compared with a target of CFAF 18 billion). Recourse to exceptional expenditure procedures also exceeded the limits defined by the program objectives (CFAF 7.6 billion compared with a target of CFAF 6.7 billion).

8. **Thanks to the debt relief we received at end-2020, public debt contracted more rapidly than expected, amounting to 44.1 percent of GDP at end-2020, compared with 46.8 percent of GDP projected under the ECF arrangement.** This relief consisted primarily of a debt cancellation operation granted by China roughly equivalent to 0.8 percent of GDP, as well as a 90-percent principal reduction and a rescheduling of the debt owed to Energoprojekt (Serbia), for about 1.7 percent of GDP. We also requested an extension to December 2021 of the suspension of debt service under the G20 Debt Service Suspension Initiative (DSSI), and continued to benefit from assistance in respect of debt service covering all payments falling due to the IMF from April 14, 2020 to April 13, 2022 under the Catastrophe Containment and Relief Trust (CCRT). Poor coordination between the debt unit and the Treasury directorate, but also delays in fully setting up the new BEAC’s software for international wires, led temporarily to arrears to the International Fund for Agricultural Development (IFAD), as it was only in March 2021 that we paid the US$0.15 million that was due in December 2020. To address these issues, we have benefited from BEAC’s technical assistance on the use of its new software for transfers and we have strengthened the coordination between the relevant administrative units. As for domestic debt, liabilities owed to commercial banks in the amount of CFAF 15.8 billion (1.2 percent of GDP) were securitized in November 2020, rendering them tradable.

**Developments during the first months of 2021**

9. **The closing of the trade corridor between Bangui and Cameroon has had a substantial social and economic impact in 2021.** From end-December to early March, the CPC completely blocked the corridor, preventing the transport of both imported goods and export products. As a result, consumer staples became scarce, and their prices soared. The domestic production of manufactured goods was also affected by insecurity and the lack of inputs, further reducing the supply of goods. Convoys of freight trucks, escorted by security forces, began to arrive in Bangui in mid-March, and traffic has since gradually returned to normal. The number of internally displaced persons increased strongly to reach a peak of 742,000 in February, and has decreased since then, representing 665,000 at the end of October.

10. **The recovery of economic activity continues slowly following the difficulties encountered in the first half of 2021.** The figures available for the first six months show that manufacturing and services were the hardest hit by the security crisis. Inflation reached 5.2 percent year-on-year during the first quarter of 2021, owing to the supply shortages triggered by the closing of the trade corridor. Reflecting the gradual reopening of the corridor and the improved security situation, inflationary pressures began to abate starting in July, during
which inflation amounted to 3.6 percent year-on-year. The closing of the corridor severely affected exports and imports in the first quarter, but trade began to recover gradually in March, on the back of an improved security environment. Overall, during the first half of 2021, exports decreased by about 2 percent compared with the first half of 2020, mainly driven by the recovery in the mining sector, while imports decreased by about 25 percent compared with the same period.

11. **Domestic revenue mobilization over the first months of 2021 was slightly better than expected, whereas primary expenditures remained broadly in line with the supplementary budget law.** This law was passed by Parliament in August and provides for the increase in security spending that stemmed from the security crisis to be offset by cuts in nonpriority spending. Domestic primary expenditures are estimated at CFAF 137 billion over the first nine months, well below the expectations for the year (CFAF 199 billion). Domestic revenues rose to CFAF 105 billion over the first 10 months, aided by the faster-than-expected stabilization of the security situation, the reopening of the trade corridor, and the resulting gradual recovery of economic activity.

12. **Nevertheless, owing to the delays in the disbursement of budget support, and pending the on-lending of the SDR allocation, we had to rely on bridge financing from the commercial banks in order to fund the budget.** In response to the acute funding needs observed at the beginning of the year as a result of the sharp increase in security and electoral expenditures at the end of 2020 and beginning of 2021, the delay in budget support from the donors, and the low tax revenue mobilization stemming from the security crisis, we first drew on our bank deposits in order to finance the budget. Subsequently, we issued CFAF 48.75 billion in Treasury bills and bonds between January and October 2021 as bridge financing, pending the on-lending by the BEAC of the SDR allocation and the disbursement of the CFAF 46 billion in budget support expected from the European Union and the World Bank during 2021.

13. **Public debt is expected to reach 48.2 percent of GDP at the end of 2021, compared with 44.1 percent at the end of 2020.** The bulk of this increase reflects the issuance of CFAF 48.75 billion in Treasury bills and bonds between January and October 2021. We also benefited from the rescheduling of the statutory advances owed to the BEAC, in an amount of CFAF 80.5 billion, which we were supposed to start repaying in 2022, but whose maturity was extended by 10 to 20 years, with a grace period of three years. With regard to external debt, on September 13, 2021 we signed a loan agreement with the BDEAC for CFAF 15 billion for the fight against Covid-19 and the strengthening of the health system. In view of the high risk of debt distress that our country faces, we decided to not disburse under this loan. We will approach our technical and financial partners to help us finance the priority health projects through grants or concessional loans.

14. **Owing in part to the recent refinancing operations with BEAC, our banking sector remains well capitalized and liquid.** Reflecting the withdrawals of deposits by the government and the purchase of government bonds by the commercial banks, the short-term liquidity ratio contracted sharply during the first half, from 202 percent in December 2020 to 133 percent in
June 2021, while deposits declined by 6.8 percent over that period. To allow for this ratio to rebound while continuing purchasing government securities in the third quarter, the commercial banks refinanced these securities with the BEAC. Consequently, the short-term liquidity ratio rebounded to 214 percent at end-September 2021 while banks’ sovereign exposure declined from 19.2 percent of total assets at end-June to 16.9 percent at end-September. Credit to the private sector increased by 3.3 percent y-o-y in September. Despite a difficult economic environment, the non-performing loan (NPL) ratio declined from 18.1 percent at end-2020 to 16.4 percent at end-September and is adequately provisioned (83.9 percent). This ratio would, however, have been significantly higher if not for the measures implemented by the COBAC in response to the pandemic. The capital adequacy ratio continues to be robust at 23.8 percent in September, well above the minimum regulatory requirement of 9.5 percent.

**Structural reforms**

15. *While the deterioration of the security situation and the pandemic have entailed delays, we have made significant progress in the implementation of the structural reforms:*

- The system for electronic filing of taxes by large firms is in the process of being implemented, with a pilot period under way for 24 firms. By contrast, the deployment of the e-payment system was delayed, in part due to the need to connect this system to Sygma-Systac, the system used by the BEAC. The latter, at the end of the analysis of specifications provided by the provider, delivered a favorable opinion and will provide final approval for the interconnection of SETI to SYSTAC once a certain number of recommendations have been implemented.

- The Court of Auditors (Cour des Comptes) has undertaken a full audit of Covid-19-related spending, covering not only the expenditures executed as part of the budget law but also those financed by our technical and financial partners. The audit of budget expenditure was finalized and published online on August 31, but the audit of expenditure executed directly by our partners will take more time, owing to the necessity of obtaining the relevant data.¹

- We have published detailed data for the year 2020 and up to the end of October 2021, on the execution of Covid-related spending, as well as on the related public procurement contracts.²

- With the parliamentary calendar having been delayed, the elimination of the government agencies without economic justification could not be ratified before the end of April as planned. Nevertheless, on August 26 the Parliament approved the elimination of six out

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¹ The audit is available [here](#).
² These data may be accessed [here](#), [here](#) and [here](#).
of the seven remaining agencies without economic justification, while the seventh – COMIGEM – was privatized.

➢ With the IMF’s technical assistance, we have made good progress in drafting an anti-corruption law, which we intend to submit to the National Assembly by the end of January 2022. The asset declaration law was adopted by the National Assembly on October 28, 2021 and promulgated by the Head of State on November 26. On December 13, the Prime Minister approved the government’s anti-corruption action plan.

➢ The Directorate General for Taxes and Domains (DGID) identified all of the government contractors with an annual turnover greater than CFAF 100 million, and the importers whose imports are greater than CFAF 100 million, that have not fully honored their tax obligations. By the end of March 2022, final notifications will be sent to all of the businesses identified.

➢ Delays were incurred in the efforts to ensure that the valuation information provided by service provider Webb Fontaine is taken into account in customs declarations. Owing to technical constraints, the customs system (ASYCUDA) still needs to be fully calibrated to allow for the automated checking of its information. While we have made some progress, technical constraints imply that this measure will be fully implemented only by the end of February 2022.

➢ We have carried out the online publication of the balance sheets and income statements as at the end of December 2020 (provisional) and the end of 2019 (audited) of the companies ENERCA, SODECA, and SOCATEL.3

➢ In order to accelerate the expansion of payment of salaries by means of mobile banking to all civil servants posted in the provinces, we issued an order requiring all civil servants to be paid through this system.

➢ On August 4, we issued an order making online publication compulsory for all relevant information related to public procurement contracts of more than CFAF 10 million, including the disclosure of the beneficial owners of the companies awarded contracts.

➢ As part of the external debt clearance for fiscal year 2021, we noted the accumulation of arrears to IFAD. This is explained by the non-appropriation by the agents of the SYGMA- SYSTAC service of the new BEAC e-transfer application which resulted in delays in entering transactions until validation and consequently the accumulation of arrears. However, this problem was solved by technical assistance from the BEAC to the agents of the concerned service for a better appropriation. To date, there is good coordination

3 These documents are available here, here, here.
between the Treasury (ACCT) and the Debt Directorate in terms of regular communication of information on debt maturities, followed by their payment.

C. Economic Outlook and Risks

16. The short-term outlook has deteriorated since the conclusion of the first and second reviews under the ECF arrangement. Even if we managed to ensure the gradual reopening of the corridor, thus making possible a gradual resumption of trade over the recent months, we are expecting economic growth to reach to 1 percent this year, as compared with the 3½ percent growth previously envisaged. We anticipate that economic recovery will accelerate next year as security gains expand to the provinces, thus stimulating food crops, forestry and mining. The full reopening of the trade corridor will increase the availability of goods and will contribute to reviving production in certain segments of the industry and the supply of services. Overall, growth is projected at around 4 percent in the coming year, before settling around 5 percent in the medium term. The stabilization of the security environment should also contribute to a gradual decline in inflation, which should reach 3.5 percent year-on-year by the end of 2021 and under 3 percent at the end of 2022, before stabilizing around 2½ percent over the medium term.

17. The balance of payments would be close to equilibrium in 2021, as a result of the general SDR allocation. The trade deficit would remain high—at 15 percent of GDP in 2021—and so would the current account deficit—which would rise to around 10½ percent of GDP owing to the 5-percent of GDP fall in official transfers that would result from the postponement to next year of the disbursement of the budget support anticipated this year. The capital account balance would also worsen because of a decline in project grants. The financial account would on the other hand record a strong improvement, with a projected surplus of 6 percent of GDP, owing primarily to the SDR allocation. Consequently, the overall balance of payments would be close to equilibrium. The current account deficit is projected to gradually narrow towards 5½ percent of GDP over the medium term, with the increase in exports more than offsetting the anticipated fall in official transfers. Excluding the SDR allocation, the financial account should improve on a sustainable basis with the recovery in foreign direct investment and other financial flows, contributing to a balance of payments surplus in the order of 2 percent of GDP starting from 2024.

18. This economic outlook remains subject to considerable risks. Downside risks include: a reversal of recent progress with regard to security, which would aggravate the existing vulnerabilities; a possible resurgence of the pandemic within a context of very low vaccination rates; and a lower level of support from the donors if our efforts to initiate a national dialogue, revive the peace agreement, and implement the reforms were to be deemed insufficient. Owing to its negative impact on tax revenue, a further rise in international oil prices would significantly compromise fiscal sustainability. The persistence of bottlenecks in the global supply chains would pose further difficulties for supply given our status of landlocked country. Upside risks include an accelerated peacebuilding throughout the country, coupled with sustained implementation of
the reforms that we are committed to putting in place. A rapid decline in commodity prices such as oil would strengthen the outlook for government revenues and would increase the fiscal space needed to support our priority spending.

D. Economic and Financial Policies

In terms of economic policies, our priority objective in the short run is to ensure that the budget execution over the few months at the end of the year is in line with the supplementary budget law for 2021. With regard to 2022, we intend to sustainably finance a temporary rise in priority investments in the health sector, so as to increase our capacity to combat the Covid-19 pandemic and to limit the particularly costly recourse to medical evacuations.

Over the coming months, we intend as well to press ahead with the structural reforms that we had initiated under the ECF-supported program and included in our strategy for modernization and digitalization of public finances, and which aim at strengthening domestic revenue mobilization and public financial management, and at improving governance and the business climate. These reforms continue indeed to be essential to enable us to sustainably finance our considerable security, social, and infrastructure spending needs, while promoting strong and inclusive growth and containing the risks weighing on our public debt.

E. Fiscal Policy

19. The security crisis is having a serious impact on public finances in 2021. As a result of the closure of the corridor at the beginning of the year and of the damage inflicted on the border customs posts, the customs duties and VAT revenue collected in 2021 are expected to be lower than what were planned in the initial budget law. Moreover, we had to face additional expenditure to secure the corridor, prevent other attacks, and consolidate the territorial gains already recorded. Overall, security expenditures are expected to exceed by CFAF 12.2 billion what was envisaged in the initial budget law. This impact, combined with the budget slippages recorded at the end of 2020 and the lower budget support, accentuated the deterioration of government liquidity in 2021.

20. Over the coming weeks, we will ensure that budget execution is in line with the objectives of the supplementary budget, both in terms of revenues and the domestic primary deficit. In view of the estimates for the first ten months, domestic revenues are expected to be higher by CFAF 5 billion than what we had expected under the supplementary budget, notably as a result of a positive impact on customs revenues of the quicker-than-expected reopening of the trade corridor, despite high international prices for petroleum products, which have an adverse impact on government revenues. The execution of budget spending is also in line with the supplementary budget, which should enable us to limit to CFAF 199 billion the expenditure envelope covered by the Treasury (including the expenditure carry-over from 2020, the repayment of VAT credits, and the deferred pension payments (“arriérages”)). We also intend to pursue the repayment of our domestic arrears, whose amount
would be brought from CFAF 26.6 billion at the end of 2020 to less than CFAF 15 billion by the end of the year. Given that the principal donors (World bank and European Union) will only disburse their budget support at the beginning of 2022, we are planning to postpone from 2021 to 2022 most of the anticipated payments of the bridge financing loans contracted with the commercial banks, while asking the BEAC to on-lend CFA 35 billion of the SDR allocation.

21. **In 2022, the budget law will primarily aim at sustainably financing priority spending.** We will seek the assistance of our technical and financial partners to finance additional priority spending in the health sector, which will make it possible not only to further increase our ability to combat the Covid-19 pandemic, but also to limit the recourse to medical evacuations, which strain our limited budgetary resources. The economic recovery and the reforms aimed at strengthening the tax administration should contribute to increasing domestic revenues in 2022 up to CFAF 138 billion – this in spite of the negative impact of higher international oil prices on revenues from petroleum products. As for expenditure, we will continue to reduce nonpriority spending, with the aim of devoting more of our resources to social and infrastructure spending. In 2022, we will also have to finance the sustainable deployment of our security forces in the regions that we have gained control of, as well as the organizing of local elections. In total, we intend to cap the level of primary expenditures at CFAF 202.5 billion, corresponding to 195.5 billion in budgetary expenditure and 7 billion in cash expenditure (payment of deferred pensions and reimbursement of VAT credits). This will be reflected in the draft budget law that we will submit to the National Assembly by the end of the year (structural benchmark).

22. **In 2022, the on-lending of the SDR allocation by the BEAC and the disbursement of the budgetary support originally envisaged in 2021 will make it possible to simultaneously fund the budget, repay a large proportion of the bridge financing loans contracted with the commercial banks, and complete the repayment of domestic arrears.** We intend in particular to ask the BEAC to on-lend a new tranche of some CFAF 25 billion from the SDR allocation, with the remainder being saved for the purpose of covering the financing gap anticipated in 2023. The financing of the budget deficit will also rely in 2022 on budget support from the European Union and the World Bank for the years 2021 and 2022 (CFAF 84.4 billion). This support will also allow us to complete repayment of domestic arrears, while reimbursing most of the higher-cost loans contracted with the commercial banks in 2021.

23. **We will continue to work with our technical and financial partners to ensure that the conditions stipulated for disbursement of the already identified budget support are fulfilled, and to raise additional grant financing.** As a result of our high risk of debt distress, our priority will be to mobilize additional grant financing, and we will continue not to contract non-concessional external financing and to only consider concessional borrowing for those investment projects that are vital for the development of the C.A.R. and for which it will not be possible to obtain grants. We also commit to not make use of the BDEAC loan and – as indicated above – we will seek to mobilize additional grants in order to ensure the funding of the related priority health expenditures. We will work with our partners to ensure that the conditions...
stipulated for disbursement of the budget support that have already been identified are fulfilled and will consult them with the aim of identifying new financings. We will also ask them to continue to provide us with their support to help us combat the pandemic, and in particular to finance our vaccination strategy and the upcoming local elections.

F. Fiscal Reforms

24. With the improvement in the security situation, we intend to speed up the implementation of the structural budget reforms that we had committed to.

Monitoring of Expenditure to Combat the Pandemic

25. We will implement the recommendations of the audit by the Court of Auditors on Covid-related budget expenditure executed in 2020. In particular: (i) starting from December 2021, the committee responsible for monitoring and managing the resources directed to the establishment of the national plan in the fight against Covid-19 will meet at a minimum once a month; (ii) competitive bidding processes will be used for the awarding of contracts for construction, drilling, and refurbishing of roads; (iii) the payment orders will be issued directly on behalf of the service providers or suppliers – and in no case of a member of the civil service – based on a cost estimate or invoice. We have also published the names of the firms that received transfers to help them deal with the pandemic. We will continue to publish data on Covid-related spending and related public contracts and start publishing data on beneficial owners, from January 2022.

Strengthening the Transparency of Public Procurement Contracts

26. In line with our commitments, we have mandated by ministerial order the online publication of all public procurement contracts above the threshold of CFAF 10 million (a threshold set in the budget law), as well as the information essential to good transparency (amounts of the contracts and the names of the beneficial owners). This information is henceforth made available each month on the website of the Ministry of Finance.

Domestic Revenue Mobilization

27. The deployment of the electronic declaration system for large firms based in Bangui is in the process of being implemented, with a pilot period under way. Out of a sample of 24 firms in the test phase, 15 succeeded in completing online filing. Out of the 15 firms, 11 file regularly and four partially. We are committed to ensuring that all of the firms in this pilot sample make full use of the e-filing system, at the latest in March 2022. In order to ensure the system’s deployment and use, we will issue by December 31, 2021, a ministerial order making the  

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4 Available [here](#) and [here](#).
5 Available [here](#) and [here](#).
systematic use of the electronic declaration system mandatory for large taxpayers by December 31, 2022 (structural benchmark).

28. In order to conclude the audits initiated on the 89 largest importers and 28 beneficiaries of public procurement that were not current with their tax obligations, we commit to sending final notifications to these firms by the end of March 2022, in order to recover some CFAF 132 million. In parallel, we will initiate off-site controls for all firms not in compliance that have a turnover of less than CFAF 100 million. To improve the effectiveness of our controls and to incentivize the taxpayers involved to rectify their situation, we will in addition take the following actions:

➢ In order to ensure the collection of the revenues owed by the firms, by the end of 2021 we will issue a ministerial order suspending the import activities of large importers who are not fully compliant with their tax obligations after end-March 2022 (structural benchmark). In order to initiate this step, we will sign a memorandum on the exchange of information with the General Customs Directorate, and every two weeks will transmit to customs the list of the TINs (tax identification numbers) of the importers to be suspended.

➢ In order to facilitate the cooperation between customs and the tax authorities, we will make it mandatory—through a ministerial order to be published by the end of March 2022—to use solely those TINs that are active at the DGID for getting the authorization to import.

➢ In support of this measure, we propose to introduce in the draft 2022 budget law a financial penalty in percent of the customs value of the imported goods (15 percent) with a minimum amount (of at least CFAF 1 million) for all taxpayers, individual or legal persons, who would import without being registered on the list of active companies established and regularly published by the DGID. This penalty will not be subject to any graceful discount. The amount of this penalty is high, so as to ensure its deterrent effect.

➢ As of December 2021, we established a monthly meeting of DGID, DGDDI, and DGMP to monitor progress in this area. To demonstrate our willingness to be transparent and to achieve concrete results, a dashboard will be sent after each meeting to the Minister of Finance and to the IMF, regarding: (i) the amounts recovered since the last meeting; (ii) the number of taxpayers not current with their tax obligations identified since the last meeting, and the total number of taxpayers not current with tax obligations; and (iii) the recovery rate following the controls performed (in order to ensure that the notifications produce the intended effects). This information will apply equally to the importers and to the firms that are beneficiaries of public procurement contracts.

29. We will pursue the interconnection between the customs’ ASYCUDA++ system and the e-Douanes system of the import valuation service provider. We actively participate in bi-monthly meetings between Customs, the provider, UNCTAD (which is the developer of
ASYCUDA), the IMF and the World Bank, in order to ensure that the exchange of data through the interconnection is operational, and that it is accompanied by automated checks of the use of the valuations recommended by the service provider in the calculation of the duties and taxes. These measures will be fully implemented by the end of February 2022 (structural benchmark).

To ensure that the import value recommended by the provider is automatically captured in the importer’s customs declaration and used by the customs as the basis of the tax assessment – unless valid detailed documentation justifying an alternative customs value is presented and recorded in the system prior to the release of the goods – we will adopt by the end of March 2022, a ministerial order mandating that: (i) customs declarations are inadmissible if not accompanied by the service provider’s documentation; and (ii) the automated procedure for the declaration of the value of the imports is henceforth mandatory.

30. **With the support of the European Union, we will set up the ASYCUDA World system.** The development of ASYCUDA World, which is a more modern system than ASYCUDA++, will make it possible to have an even more secure system, and thus will reduce vulnerabilities to corruption. It will likewise facilitate automated exchanges and data reconciliation with the domestic tax authority and with the customs services of the ports of entry of merchandises. Now that the financing of the European Union is in place, we expect that UNCTAD could put the new system in place by June 2023.

**Public Financial Management**

31. **We will pursue our efforts aimed at consolidating the Treasury Single Account (TSA).** We intend in particular to: (i) prepare and sign by March 2022, an agreement between the Treasury and the BEAC for the management of the TSA; (ii) by June 2022, carry out an inventory of the revenues collected directly by the ministries and the institutions related to the services rendered to users; (iii) by June 2022, perform a census of all of the accounts of the government and related agencies with commercial banks; (iv) by August 2022, conduct in collaboration with the BEAC a study of the impact on the banking sector of the closing of all of the accounts of the government and its agencies with commercial banks; (v) on the basis of the conclusions of the above-referenced impact assessment, close all of the accounts of the government and its agencies with commercial banks, while repatriating funds into the TSA by June 2023; and (vi) by December 2023, ensure that the national Treasury is organized so as to effectively implement its banking function vis-à-vis its correspondents.

32. **To allow for a better monitoring of the execution of budget expenditures, we will modify the table on the quarterly budget execution situation** to show more clearly the movements of funds that took place each quarter for each major category of expenditure, as well as the amount of commitments, the amount of payment orders, and the amounts paid by the treasury. These changes will be reflected in the budget execution reports starting with the one for the first quarter of 2022.

33. **We will implement the new legal framework for state-owned enterprises (SOEs),** in particular by means of: (i) the online publication by February 2022 of the information on the
respective financial positions of SOEs, including the list of such enterprises; (ii) the adoption by December 2022 of all of the secondary pieces of legislation necessary for the implementation of the new legal framework for SOEs; (iii) the preparation by June 2022 of the action plans for improving the financial position of SOEs with substantial debts; and (iv) beginning in April 2022, conducting the infra-annual financial monitoring, through quarterly reports, of SOEs according to their income.

34. **We will implement the immediate payment of pensions of new retirees.** This system will ensure a better monitoring of pension rights while ending the accumulation of arrears to new retirees during the first months of their retirement (deferred pension or “arriérages”). This system will be operational from January 1, 2022.

35. **We are moving forward on the digitalization of public financial management,** in particular by means of: (i) the use of the Sygma-Systac platform (which makes possible the processing in real time of the transactions on the Treasury account at the BEAC, the monitoring of the cash balance, and its reconciliation with monetary data), which became fully operational in December 2020; (ii) the rollout of payment of the salaries of the civil servants in the provinces through “mobile banking”-type solutions, from October 2021; and (iii) the progressive use of Sim_Ba, the new software for the budget preparation and execution, as well as for the central government accounting, which we used for the preparation of the 2022 draft budget; and (iv) the implementation of the interconnection of the Sygma-Systac and the Sim_Ba softwares, for a better monitoring of budget execution and an optimized financial and accounting report starting once Sim_Ba is fully operational.

36. **We will continue our efforts aimed at improving governance and fighting corruption:**

   ➢ On December 13, and pursuant to our commitments, the Prime Minister approved the government’s anti-corruption action plan, which takes on board most of the recommendations of the IMF’s governance assessment.

   ➢ On October 28, 2021 the National Assembly approved the asset declaration law and on November 26, the Head of State promulgated it. This law was passed without amendment in relation to the draft that had been submitted. The draft had been set out in full conformity with good international practice.

   ➢ The draft anti-corruption law, which is consistent with IMF staff recommendations and the requirements of the United Nations Convention against Corruption, will be submitted to the National Assembly by the end of January 2022 (structural benchmark).

37. **We likewise intend to continue to improve the business climate:**

   ➢ By the end of June 2022, we will submit a draft mining code to the National Assembly. In accordance with our commitments with respect to good governance, this draft mining
code will be consistent with good international practice. To this end, we will work with our technical and financial partners to ensure that this project: (i) is in line with the recommendations of the Financial Action Task Force (FATF) relating to anti-money laundering/combating the financing of terrorism, and to the CEMAC guidelines in relation to exchange control regulations; (ii) ensures that the rules governing any new mining funds are in accordance with the rules of sound public financial management and governance; (iii) provides that large mining projects shall be awarded in a systematic way via competitive bidding processes, with the aim of maximizing potential government revenue; and (iv) does not contain excessively generous tax provisions that might harm our efforts aimed at strengthening domestic revenue mobilization.

➢ We have benefited from the technical assistance of the African Development Bank to help us to assess the scheme for the parafiscal taxes levied on the telecommunications sector. Based on this assessment, by June 2022 we will take all measures needed to make sure that they do not constitute a potential barrier to the development of the sector and to the government’s digitalization strategy.

➢ The deadline for implementation of the recommendations that include, inter alia, the creation of an arbitration and mediation center has been set for March 2022 by the National Economic and Financial Committee (CNEF), during its meeting that took place on November 22, 2021. Regulation No. 01/20/CEMAC/UMAC/COBAC pursuant to the protection of the consumers of banking products and services within the Economic and Monetary Community of Central Africa (CEMAC) establishes procedures governing the organization, operation, and referral to the mediator, which will be part of CNEF. The CNEF has also recommended: (i) the creation by the end of March 2022 of an arbitration division within the commercial court to handle banking and financial disputes; and (ii) the creation by the end of 2022 of a national debt recovery agency.

➢ We are committed to implementing the reforms that aim at strengthening financial inclusion, in particular by the development of mobile and online banking services.

G. Program Monitoring

38. The staff-monitored program (SMP) will extend from December 2021 to June 2022 and will entail two test dates – end-December 2021 and end-March 2022 – with quantitative benchmarks, indicative targets, and structural benchmarks, as indicated in the attached tables. The attached Technical Memorandum of Understanding defines the quantitative benchmarks, indicative targets, and structural benchmarks. End-December performance will be reviewed in the first quarter of 2022. End-March performance will be reviewed in the second quarter of 2022. We will provide IMF staff with the statistical data and information identified in the attached technical memorandum of understanding, as well as any other information it considers necessary or that the IMF might request for monitoring purposes.
### Table 1. Central African Republic: Quantitative Performance Criteria and Indicative Targets under the ECF Arrangement, December 2020
(CFAF billions; cumulative from beginning of the year)

<table>
<thead>
<tr>
<th></th>
<th>End-December 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PC</td>
</tr>
<tr>
<td>Quantitative performance criteria</td>
<td></td>
</tr>
<tr>
<td>Net domestic government financing (ceiling, cumulative flows for the year)</td>
<td>4.0</td>
</tr>
<tr>
<td>Domestic revenue (floor, cumulative for the year)</td>
<td>115.0</td>
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<tr>
<td>Domestic primary fiscal balance (floor, cumulative for the year)</td>
<td>-85.0</td>
</tr>
<tr>
<td>Continuous performance criteria</td>
<td></td>
</tr>
<tr>
<td>Contracting or guaranteeing of new external non concessional debt (ceiling)</td>
<td>0.0</td>
</tr>
<tr>
<td>Non accumulation of external payments arrears (ceiling, cumulative for the year)</td>
<td>0.0</td>
</tr>
<tr>
<td>Indicative targets</td>
<td></td>
</tr>
<tr>
<td>Social spending (floor, cumulative for the year)</td>
<td>35.0</td>
</tr>
<tr>
<td>Spending through extraordinary procedures (ceiling, cumulative for the year)</td>
<td>6.7</td>
</tr>
<tr>
<td>Reduction in domestic payments arrears (floor, cumulative for the year)</td>
<td>18.0</td>
</tr>
<tr>
<td>Memorandum items:</td>
<td></td>
</tr>
<tr>
<td>New concessional/external debt contracted or guaranteed by the government</td>
<td>25.0</td>
</tr>
<tr>
<td>Budget support</td>
<td>76.3</td>
</tr>
<tr>
<td>Privatization receipts</td>
<td>0.0</td>
</tr>
</tbody>
</table>

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

1 Domestic revenue, which excludes foreign grants and divestiture receipts.
2 The domestic primary balance is defined as the difference between government domestic revenue and government total expenditure, less all interest payments and externally-financed capital expenditure.
3 These objectives will be monitored continuously.
4 Contracted or guaranteed by the government.
5 Social spending is defined as domestically financed public non-wage spending on primary and secondary education, health, social action, water and sanitation, microfinance, agriculture and rural development.
### Table 2. Central African Republic: Quantitative Benchmarks and Indicative Targets under the SMP
(CFAF billions; cumulative from beginning of the year, unless otherwise specified)

<table>
<thead>
<tr>
<th></th>
<th>End-December 2021</th>
<th>End-March 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantitative</td>
<td>Quantitative</td>
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<tr>
<td></td>
<td>Benchmarks</td>
<td>Benchmarks</td>
</tr>
<tr>
<td><strong>Quantitative benchmarks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net domestic government</td>
<td>79.6</td>
<td>-16.5</td>
</tr>
<tr>
<td>financing (ceiling,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cumulative flows for the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>year)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic revenue (floor,</td>
<td>124.0</td>
<td>32.0</td>
</tr>
<tr>
<td>cumulative for the year)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic primary fiscal</td>
<td>-77.0</td>
<td>-22.0</td>
</tr>
<tr>
<td>balance (floor, cumulative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for the year)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Continuous benchmarks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracting or guaranteeing</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>of new external non</td>
<td></td>
<td></td>
</tr>
<tr>
<td>concessional debt (ceiling,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cumulative from October 1,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021)</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Disbursement of external</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>non concessional debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ceiling, cumulative from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 1, 2021)</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Non accumulation of external</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>payments arrears (ceiling,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cumulative for the year)</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Indicative targets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social spending (floor,</td>
<td>24.0</td>
<td>5.0</td>
</tr>
<tr>
<td>cumulative for the year)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spending through</td>
<td>6.7</td>
<td>1.7</td>
</tr>
<tr>
<td>extraordinary procedures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ceiling, cumulative for the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>year)</td>
<td>12.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Reduction in domestic</td>
<td>25.0</td>
<td>15.0</td>
</tr>
<tr>
<td>payments arrears (floor,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cumulative for the year)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New concessional/external</td>
<td></td>
<td></td>
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<tr>
<td>debt contracted or</td>
<td></td>
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<tr>
<td>guaranteed by the government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ceiling, cumulative for the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>year)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Memorandum items:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget support</td>
<td>0.0</td>
<td>46.0</td>
</tr>
<tr>
<td>Privatization receipts</td>
<td>3.6</td>
<td>0.0</td>
</tr>
</tbody>
</table>

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

1 Domestic revenue, which excludes foreign grants and divestiture receipts.
2 The domestic primary balance is defined as the difference between government domestic revenue and government total expenditure, less all interest payments and externally-financed capital expenditure.
3 These objectives will be monitored continuously.
4 Contracted or guaranteed by the government.
5 Social spending is defined as domestically financed public non-wage spending on primary and secondary education, health, social action, water and sanitation, microfinance, agriculture and rural development.
<table>
<thead>
<tr>
<th>Measures</th>
<th>Timeline</th>
<th>Macroeconomic Rationale</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online publication of independent audit of Covid-related spending executed in 2020</td>
<td>Prior action</td>
<td>Improve accountability</td>
<td>Met</td>
</tr>
<tr>
<td>Elimination of agencies without economic justification</td>
<td>Prior action</td>
<td>Improve transparency and revenue collection</td>
<td>Met</td>
</tr>
<tr>
<td>Submission to the National Assembly of a draft supplementary budget law consistent with the SMP’s objectives</td>
<td>Prior action</td>
<td>Ensure macroeconomic stability, fiscal responsibility, and transparency</td>
<td>Met</td>
</tr>
<tr>
<td>Submission to the National Assembly of a draft 2022 budget law consistent with the SMP’s objectives</td>
<td>End-December 2021</td>
<td>Ensure macroeconomic stability, fiscal responsibility, and transparency</td>
<td></td>
</tr>
<tr>
<td>Issuance of a ministerial order effective end-March 2022 suspending import activities by large importers who are not fully compliant with their tax obligations</td>
<td>End-December 2021</td>
<td>Improve revenue collection</td>
<td></td>
</tr>
<tr>
<td>Issuance of a ministerial order making the systematic use of the electronic declaration system mandatory for large taxpayers by December 31, 2022</td>
<td>End-December 2021</td>
<td>Improve transparency and revenue collection</td>
<td></td>
</tr>
<tr>
<td>Submission to the National Assembly of a new anti-corruption law that is consistent with IMF staff recommendations and the requirements of the United Nations Convention against Corruption (UNCAC)</td>
<td>End-January 2022</td>
<td>Improve governance</td>
<td></td>
</tr>
<tr>
<td>Adjustment of the ASYCUD++ customs processing system to ensure that the values recommended by Webb Fontaine are automatically reflected in importers’ customs declarations</td>
<td>End-February 2022</td>
<td>Reduce corruption and improve revenue collection</td>
<td></td>
</tr>
</tbody>
</table>
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 on-lending of the SDR allocation by the BEAC, which are 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 5 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”). Balances payable correspond to government unpaid financial obligations and include the domestic floating debt in addition to expenditure arrears. They are defined as expenditures incurred, 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 2 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.

**Ceilings on disbursement of external non concessional debt by the government**
- The government undertakes not to disburse **nonconcessional debt**. This continuous quantitative benchmark is assessed on a cumulative basis from October 1, 2021.

**Non-accumulation of new external payment arrears by the government**
- **The government undertakes not to accumulate external payments arrears** on 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:

a. 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:

   i. The ceiling on net domestic financing of the government will be adjusted upward by an amount equivalent to 50 percent of these additional receipts;

   ii. The floor for the primary domestic fiscal balance will be adjusted downward by an amount equivalent to 50 percent of these additional receipts.

b. 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.

c. 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.

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 IMF staff recommendations and the requirements of the United Nations Convention against Corruption.

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

Annex I. Advancing Governance Reforms

This annex summarizes progress and challenges in implementing recommendations of the 2019 Governance Diagnostic. It also leverages on the complementary domestic revenue mobilization strategy, outlined in the 2020 Staff report.

I. MOBILIZING DOMESTIC REVENUE

A. The Authorities Made Progress in Several Areas Mentioned in the 2018 Governance Diagnostic and the 2020 Staff Report.

- **Strengthening property income taxation: in progress**
  - At the authorities’ request, the World Bank is providing TA to strengthen property taxation.
  - Potential gains would likely materialize gradually given the complexity of implementing property taxation, but the gain could be substantial given the significant increase in real estate activity since the reduction in violence.

- **Removing ad-hoc tax exemptions: progress but uneven, with greater focus to be made on the mining sector**
  - The authorities eliminated most existing ad-hoc tax exemptions, through a census of those already granted as of 2019.
  - However, and despite their commitment, the authorities granted in at least one case (a mining contract) ad-hoc tax exemptions going beyond the provisions of the existing mining code.

- **Increasing the number of taxpayers effectively administered: significant progress, and further steps are needed**
  - The authorities conducted, per their commitment, an audit of the 300 largest importers and 200 largest beneficiaries of public procurement contracts, to identify those not current with their tax obligations. The audit led to the identification of 117 enterprises.
  - The authorities are now working on the necessary reforms to collect the tax arrears due.

- **Securing imports channeled through the port of Douala in Cameroon: some progress underway on digitalization**
  - The construction of a warehousing area, for goods from/to C.A.R is underway, owing to a public-private partnership (PPP).

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1 Prepared by O. Basdevant, G. Montagnat-Rentier, Y. de Santis, and J. Swanepoel.
• The modalities of clearance of containers is currently under discussion in the context of the development of an interface between ASYCUDA++ and e-Douanes (the IT system of the third-party valuation provider). The Fund advised that importers pay duty and taxes through C.A.R.’s customs systems and accounts before their goods leave the warehouse, while customs administrations would significantly reduce transit times through Cameroon and C.A.R.

B. Short- and Medium-Term Challenges Hover around Digitalization and Automation of Processes

1. **Efforts to increase the number of taxpayers effectively administrated is supported by Fund technical assistance.** As of July 2021, about 931 taxpayers were registered for VAT, while the list of enterprises registered with the tax administration contains 34,514 taxpayers, of which 8,639 are subject to VAT. Clearing the taxpayer files will be based on a two-prongs strategy (i) identifying inactive taxpayers to subsequently remove them from the lists, and (ii) administer those who are active but currently not administrated. To implement the later, the focus will be to formalize information sharing between the different directorates and partners of the tax administration, for example by cross-checking addresses and contact details with those provided to utilities companies (water, electricity, telephone). Further, the efforts will also be complemented by the digitalization efforts, partly through the strengthening of the customs system ASYCUDA (see below) but also strengthening the interface between ASYCUDA, SYSTEMIF (the IF system of the tax administration), and SIM-BA (the new IT system for public financial management).

2. **The digitalization of customs processes has progressed and is articulated with the future roll out of ASYCUDA World.** The steps taken in the context of ASYCUDA++ ([Error! Reference source not found.]) will be helpful in any case for the rolling out of the ASYCUDA world. The authorities have already secured EU funding for the UNCTAD to roll out the project, after committing to take charge in the budget of the recurrent cost (mainly the salaries of 3 IT developers to maintain the system and the payment of per diems for missions to assist the different border posts).
Table 1. Steps for the Interconnection Between ASYCUDA++ and e-Douanes

<table>
<thead>
<tr>
<th>Step</th>
<th>Responsibility</th>
<th>Timeline</th>
<th>Status</th>
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<tbody>
<tr>
<td>1/ Verification of the web link between Customs (ASYCUDA++) and Webb Fontaine (e-Douanes)</td>
<td>Customs Webb Fontaine</td>
<td>End-September 2021</td>
<td>Verified. Link operational.</td>
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<tr>
<td>2/ Agreement on data to be exchanged between ASYCUDA++ and e-Douanes, and verification of the data.</td>
<td>Customs Webb Fontaine UNCTAD</td>
<td>End-2021</td>
<td>Data exchange operational. Data verification in course</td>
</tr>
<tr>
<td>3/ Bilateral transfer of data between ASYCUDA++ and e-Douanes (values transferred from e-Douanes to ASYCUDA++), customs databases transferred from ASYCUDA++ to e-Douanes</td>
<td>Customs Webb Fontaine UNCTAD</td>
<td>End-December 2021</td>
<td>The authorities requested UNCTAD to lead the work on the adjustments needed in ASYCUDA++ in September 2021, and a schedule was set up to December 2021.</td>
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<tr>
<td>• Setup of web servers</td>
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<td>• Development of an interface in ASYCUDA++</td>
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<td>• Tests of the bilateral connection</td>
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<tr>
<td>4/ Set-up of controls and automated clearance of containers in ASYCUDA++</td>
<td>Webb Fontaine UNCTAD</td>
<td>End-February 2022</td>
<td>See above.</td>
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<tr>
<td>5/ Rolling out of the system</td>
<td>Customs Webb Fontaine UNCTAD</td>
<td>End-February 2022</td>
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</tbody>
</table>

Sources: Staff of the IMF, UNCTAD, C.A.R. Customs and Webb Fontaine.

3. **Deeper reforms are needed throughout the medium-term to support a higher and durable revenue collection level.** While many of the steps mentioned above are welcome, previous experience on C.A.R. suggests that reforms are often not sustained without close monitoring. To alleviate the lack of sustainability, the authorities need to commit to (i) specific action plans and (ii) ensure the publication of the action plans and their results so that scrutiny from development partners and other interested parties is facilitated.
• In the digitization of processes, once the ASYCUDA World is implemented, the development of the interfaces between the system of the revenue administration (SYSTEMIF, ASYCUDA world) with that of the new IT system for the budget (SIMBA) would be ensured.

• At customs, an area of focus, given the landlocked situation of C.A.R., should be the reconciliation of data for consignments leaving Douala, crossing Cameroon-C.A.R. border, and reported to C.A.R. Customs, and application of duty and sanctions for any goods diverted to C.A.R. domestic market without being cleared at Customs. This requires digitalization of regional transit of goods.

II. STRENGTHENING TRANSPARENCY AND ACCOUNTABILITY OF C.A.R. MANAGEMENT OF ITS PUBLIC FINANCES

C. The Authorities Made Progress in Several Areas Mentioned in the 2018 Governance Diagnostic and the 2020 Staff Report

**Digitalization has moved forward.**

• The new public financial management IT system SIM-BA is now used to prepare the 2022 Budget.

• In parallel, the system SYSTAC has been developed between the BEAC and the treasury to enable the digitalization of payments.

**The financial oversight of SOE is now supported by a new legal framework**

• A new law and its main supporting secondary legislations are now in place. As a first step in implementing the law, the central government exert now a stronger oversight of their finances, having obtained the audited financial statements of the three largest SOE for 2019.

**Internal controls remain to be strengthened through institutional coordination with external controls institutions**

• Internal controls in the public administrations (Office of General Government Inspection and Inspection of Finances), see the effectiveness of their actions at times undermined as (i) their reports are usually neither available to the public nor shared with other institutions in charge of the control of the State (ii) they rely primarily on administrative sanctions that are rarely enforced.

**Fiscal decentralization remains a challenge for the long term**

• In the short term, efforts should focus on deconcentrating resources to line ministries and other deconcentrated entities.

• Looking forward, a roadmap for the decentralization of resources could be established. The roadmap would need to outline the strategy for adequate civil servant support,
and not just elected official, while preserving fiscal sustainability.

D. Continued progress is needed in the area of digitalization and oversight of spending agencies and budget execution

4. **Efforts are needed to strengthen the budget process, by enforcing a stricter compliance with budget ceiling for internal movements of credits.** To do so, the authorities committed to improve quarterly budget execution tables to clearly show credit movements made during the period for each major category of expenditure, the level of commitments, the level of payment orders and the level of payment to the treasury. They would use the table below, which would enable the level of credit movements, the pace of execution at each stage of expenditure and the level of expenditure paid before commitment (i.e., cash advances) The table will also show the budget execution rate, both on the commitment and payment order basis, the payment instances including those constituting arrears.
Table 2. Template for Quarterly Budget Execution Reports

<table>
<thead>
<tr>
<th></th>
<th>(1) Credits in the Budget Law</th>
<th>(2) Credits in the Amended Budget Law</th>
<th>(3) Credit movements</th>
<th>(4) = (2) + (3) Total credits available</th>
<th>(5) Total liquidations / payment orders</th>
<th>(6) Total Payments</th>
<th>(7) Total Payments</th>
<th>Execution rate</th>
<th>Payment instances (7) – (6)</th>
<th>Regular payment orders</th>
<th>Cash advances</th>
<th>(5)/4</th>
<th>(6)/4</th>
<th>Less than 3 months</th>
<th>More than 3 months</th>
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<td>Primary expenditure</td>
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<td>Wage bill</td>
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<td>Goods and services</td>
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<td>Financial expenses</td>
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<td>Transfers and subsidies</td>
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<td>Investment expenditure</td>
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<td>On own resources</td>
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<td>On external resources</td>
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<td>Debt repayment expenses</td>
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Source: IMF staff.
5. **Public procurement would benefit from continued improvement in governance.** The use of noncompetitive procedures (e.g., contracts awarded outside a public tender, criteria applied to selecting winning bids not disclosed) are still widely used and expose the budget to risks of collusion between economic operators and public officials making the decision. Improving governance in procurement should therefore be at the forefront of reforms in public financial management, as it would be not only critical for the quality of procured spending, but also for the business climate. There are some avenues that the authorities could consider, building on their recent efforts at strengthening public procurement. Indeed, they are now publishing procurement contracts, including information on beneficial owners for public procurement contracts above CFAF 10 million. To build on these efforts, the authorities could consider further efforts aimed at developing a web-based portal for public procurement. In particular, the following avenues could be considered.

- The current law on public procurement proven to be outdated against good practice. Therefore, its upgrading would be of utmost importance;

- Reducing red tape by streamlining procurement procedures, and avoiding lengthy decision processes. The revision of the procurement management framework could include: (i) a requirement to perform cost-benefit analyses for government investments above a threshold, (ii) publication of these assessments, (iii) the statutory requirement – along with penalties for noncompliance – to publish invitations to bid on the government website; and (iv) publication of the criteria for selecting businesses. While open tenders may be difficult in some markets in C.A.R., owing to their small size and thus the structural limited competition, efforts should be made to make open and public tenders the norm.

- The authorities may also want to initiate the development of a web-portal for procurement. Such portal, organized as a workflow, would trace operations in real time (purchasing units, the DGMP and the ARMP) and publish contracts from bidding to completion. There are models in Sub-Saharan Africa, which the authorities could use to reduce the cost of implementing such a project.

6. **To support public investment the authorities could leverage on the law on public-private partnerships (PPP) to strengthen the management framework of PPP.** There is already a PPP project critical to the country, in the form of building infrastructure at the port of Douala to facilitate imports and customs clearance of goods to be channeled to C.A.R. To ensure a smooth operation, and avoiding potential fiscal risks to the budget, there is a need for continued efforts to strengthen the PPP framework. In particular, the authorities would need to ensure that they build the capacity to adequately oversee PPP projects.

7. **Continue to consolidate the TSA and make the accounting data reliable.** The blind spots and the accounting inaccuracies described above generate major risks for the embezzlement of funds. In addition, it is important for the authorities to expand the perimeter of the TSA to all legal entities subject to public law: the government, public administrative establishments and local
governments. To be successful, all stakeholders must accept this, and work should be done in advance to raise awareness of the strategic issues it represents. This will also depend especially on Treasury staff capacities to reform to be able to provide integrated management of government funds.

III. STRENGTHENING THE INTEGRITY AND QUALITY OF PUBLIC WORKFORCE

8. The new framework for asset declarations of public official provides the foundation for promoting integrity in the public sector. The drafting of the new asset declaration law benefited from inputs of the IMF, and was set up in line with international good practice. It has been approved by Parliament on October 28, and is now awaiting presidential signature. While the new framework marks a critical step, care will be needed in ensuring that the framework is effectively implemented. To do, the authorities could consider ensuring adequate publication of assets declarations, as provided by the law, and that penalties for missing or inaccurate declarations are enforced. Additionally, progress in the coming years could also focus on gradually increasing the coverage of the framework.

9. Beyond asset declarations, the promotion of deontology codes is also critical to the quality of the public workforce. Public officials, especially those in direct contact with the civil society, should be subject to a certain code of conducts. Further, public officials could be encouraged to report unethical conduct. Disseminating professional code of conducts should also take place at the level of each administration, to better take into account specificities of some activities and potential vulnerabilities to unethical behaviors. These codes should also be accompanied by training programs. Finally, users of public administration services should know the rules of professional conduct that are adopted. Thus, public campaign could also be conducted, to advertise what users could expect in terms of behaviors. Further, an anonymous reporting system (e.g., via a free telephone line) could allow citizens to report problems of poor governance or corruption, provided that legislative provisions exist to protect the persons at the origin of these reports.

10. The quality of the public workforce would also benefit from training programs, and rules on hiring and compensations. Assessment of civil servants should be conducted, and could inform training programs, hiring procedures and compensation rules. In particular, hiring should be based on actual needs from the recruiting agency, and be subject to publicity, including on the skills required for the job. Compensation and promotions should also be based on defined rules, based on performance assessments.
IV. STRENGTHENING THE LEGAL FRAMEWORK AND THE JUDICIAL SYSTEM FOR AN IMPARTIAL JUSTICE

11. In the mining sector, and aside from the revision of the mining code, continued progress is needed to shorten the time between diamond extraction and sales (supported by USAID). This work, which is part of the Kimberley process, is supported by audits of diamonds produced, undertaken by the authorities. However, it has, so far, created relatively large delays between diamond extractions and sales (about a month). This industry typically relies on much shorter delays. Thus, the authorities started cooperating with USAID to strengthen their audit capacity and reduce these delays.

12. Progress was made with two laws designed to strengthen the anti-corruption architecture (asset declaration law promulgated by the Head of State recently and anti-corruption law), which should be implemented and complemented by three specific actions.

- **Legal provisions to protect whistleblowers.** As part of the 2019 governance diagnostic, and the authorities’ own anti-corruption action plan, care should now be given to drafting a law on the protection of witnesses, experts, victims, and “whistleblowers”. International good practice in this area would require, among other things, that such persons when acting in good faith are protected from reprisals.

- **The authorities should ensure full implementation of all laws in the area of anti-corruption and AML/CFT, including in relation to procurement.** In order to demonstrate the authorities’ commitment to addressing corruption, the authorities should conduct an audit of existing laws and regulations with an anti-corruption focus and which are not currently being applied and take steps to ensure that such laws are fully and consistently applied. This includes aspects such as ensuring that provisions on conflicts of interest and anti-fraud measures are operationalized and in force.

- **Introduce mechanisms for the recovery of goods and assets misappropriated or illicitly acquired** with regard to (i) monitoring of cases brought in respect to alleged corruption and related offences (ii) systematically taking steps to ensure the freezing, precautionary seizure and recovery of assets and goods resulting from corruption related offences, and (iii) strengthening international cooperation in relation to asset recovery.

13. **Strengthen the dissemination of laws and transparency in judicial matters.** Steps to foster and increase transparency in the legal system is essential for a number of reasons. These include reducing corruption vulnerabilities, improving the rule of law and allowing participants to more accurately gauge their position. It can also serve a disciplinary role by requiring judges to provide the reasoning for their decisions. The three steps below would not only help guide the courts in delivering their rulings, but will also play critical roles in communicating the law of CAR to all relevant stakeholders.
• Prepare a listing of all legislative and regulatory texts relating to businesses (forestry, investment, markets, taxes, customs, mines, labor codes, property laws), and make it available on the website of the Ministry of Finance.

• Ensure regular publication by the Ministry of Justice, on its website, of data, court by court, with regard to (i) the number of new cases handled during the year; (ii) the total number of cases brought to court; and (iii) the average time frame by which a case is handled by the courts.

• Launch the systemic publication on the government website of (i) any legislation coming into force and regulations and decrees issued (ii) all the decisions of the Court of Cassation; (iii) all decisions of the court of appeal; and (iv) all decisions in corruption cases.