

INTERNATIONAL DEVELOPMENT ASSOCIATION AND  
INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

**Enhanced Heavily Indebted Poor Countries Initiative—Preliminary Document**

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International Monetary Fund

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## EXECUTIVE SUMMARY

The Central African Republic (C.A.R.) is ring-fenced under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. In this context, the present document (i) presents a preliminary assessment of C.A.R.'s eligibility for assistance on the basis of its end-2005 debt stock, as well as the corresponding amount of debt relief, and (ii) sets forth what C.A.R. would need to do in order to reach the decision point.

The C.A.R. continues to make the transformation from post-conflict to recovery, supported by a strengthening of the political and security situation—although some tensions continue. The country's social indicators, however, remain among the weakest in the world. On the basis of strengthened policy implementation, economic performance has been improving, with a modest increase in growth during 2006, an improved fiscal position, and some progress in structural reform.

Looking ahead, the authorities' economic reform agenda—rooted in the PRSP that is now under preparation—aims at further fiscal consolidation and private-sector led growth. The fiscal effort will be supported by policies to enhance revenue mobilization, further tighten expenditure control, and to reorient spending toward reducing poverty and reaching the Millennium Development Goals. Structural policies will be directed toward reducing the cost of doing business and addressing the formidable obstacles to growth and poverty reduction, including in the areas of financial intermediation, trade, and the regulatory and legal framework in the natural resources sector.

The preliminary debt relief analysis presented in the report is based on loan-by-loan data provided by the authorities and by creditors. The analysis assumes the C.A.R. reaches the decision point in September 2007 and the completion point at end-2009. To reach the decision point, the C.A.R. will need to maintain satisfactory performance under the PRGF arrangement and reach understandings with IDA and IMF staffs on appropriate completion point triggers to be established by the Executive Boards of the two institutions. The completion point date assumes a shorter interim period than usual for post-conflict countries, reflecting the progress the C.A.R. has achieved already in macroeconomic stabilization and structural reform.

The C.A.R.'s public- and publicly-guaranteed external debt is estimated at US\$ 1.1 billion in nominal terms as of end-December 2005, equivalent to about US\$ 866 million in NPV terms. The reduction of C.A.R.'s NPV of debt-to-exports ratio from 541 percent to 150 percent would require HIPC debt relief of US\$ 602 million in NPV terms. This implies a common reduction factor of 72.3 percent. Based on proportional burden sharing, multilateral assistance would amount to US\$ 377 million (in NPV terms) and bilateral and commercial assistance to US\$ 225 million (also in NPV terms). Upon reaching the HIPC completion point, the C.A.R. will also qualify for relief under the Multilateral Debt Relief Initiative, which is estimated to reduce debt service on debt to IDA, the IMF, and the African Development Bank by approximately US\$ 101 million (in NPV terms).

A sensitivity analysis of the C.A.R.'s external debt after full delivery of HIPC Initiative assistance highlights the need for economic reform that enhances export performance, and for sustained foreign assistance on favorable terms, to avoid the risk of renewed debt distress.

## I. INTRODUCTION

1. **This paper presents a preliminary assessment of the Central African Republic's (C.A.R.) eligibility for assistance under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative.**<sup>1</sup> In consultation with the authorities, IDA and IMF staffs conducted a preliminary analysis of the C.A.R.'s debt in the second semester of 2006, on the basis of end-2005 data. The results indicate that the C.A.R.'s external debt burden indicators will remain above HIPC thresholds after the application of traditional debt relief mechanisms. To reach the decision point under the HIPC initiative, the C.A.R. would need to maintain satisfactory performance under the Poverty Reduction and Growth Facility (PRGF) arrangement and reach understandings with IDA and IMF staffs on appropriate completion point triggers to be established by the Executive Boards of the two institutions. Possible HIPC debt relief is estimated to be US\$ 602 million as of end-December 2005 in NPV terms and relief associated with the Multilateral Debt Relief Initiative (MDRI) is estimated at an additional US\$ 101 million (also in NPV terms). While combined debt relief under the HIPC and MDRI initiatives will reduce debt service due, additional resources will be needed to accelerate progress towards meeting the Millennium Development Goals (MDGs).

2. **This paper is organized as follows.** Section II provides background information on the country's eligibility under the enhanced HIPC Initiative. It summarizes the C.A.R.'s recent political and social developments, poverty profile, policy track record to date, and reform agenda. Section III discusses the medium- to long-term macroeconomic framework, while section IV presents the preliminary DSA, including possible assistance under the enhanced HIPC and MDRI initiatives. Section V outlines (i) the status of the PRSP process; (ii) the proposed timeline for preparation of the decision point document; (iii) key reforms to be considered for the completion point triggers; and (iv) a preliminary indication of how domestic and foreign resource flows generated as a consequence of reaching the decision point could be used and monitored. Section VI presents issues for discussion by Executive Directors.

## II. BACKGROUND AND ELIGIBILITY FOR HIPC INITIATIVE ASSISTANCE

### A. PRGF and IDA Status

3. **The C.A.R. is eligible for support from the IMF under the Poverty Reduction and Growth Facility and is an IDA-only country with a per capita GNI of US\$ 350 in 2005.** The C.A.R. will continue to need substantial concessional financing from the international community and will likely remain an IDA-only country and eligible for PRGF resources for the foreseeable future.

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<sup>1</sup> The expression HIPC Initiative and enhanced HIPC Initiative will be used interchangeably hereafter to refer to the latter.

4. **There has been steady but gradual Fund reengagement in the C.A.R. since the end of the 2002-03 conflict.** The Fund's Executive Board approved a first Emergency Post-Conflict Assistance (EPCA)-supported program in July 2004 (covering the second semester of 2004) with a purchase of SDR 5.57 million (10 percent of quota) and a second in January 2006 (covering 2006) with a purchase of SDR 6.96 million (12.5 percent of quota). These EPCA purchases were designed to support the authorities' early efforts to reform the economy after the conflict and to act as a catalyst for wider donor support. Also, the Fund has helped build institutional and administrative capacity through technical assistance in public financial management and statistics. The Fund's Executive Board approved a three-year PRGF arrangement for the C.A.R. on December 22, 2006, with access in an amount equivalent to SDR 36.2 million (65 percent of quota). The C.A.R. meets the criteria for eligibility for HIPC relief from the Fund under the HIPC Initiative's ring-fencing arrangements:<sup>2</sup> it is PRGF-eligible; its end-2004 debt stock after the application of traditional debt relief was above the HIPC threshold; and it has pursued a Fund-supported program in the relevant time frame (i.e., before the sunset clause of the Initiative expires).

5. **IDA's engagement with the C.A.R. has been limited over the last few years but has substantially expanded during 2006.** The country began to accumulate arrears to IDA in January 2002 and was formally declared in non-accrual status as of June 2002. Non-accrual notwithstanding, IDA continued to make limited disbursements under its HIV/AIDS project through a series of four exceptional Project Preparation Facilities (PPFs), totaling US\$ 2 million. In 2004, IDA decided to further increase its activity in the context of a Country Reengagement Note which was presented to IDA's Executive Directors in July of that year. IDA activities have also included a project, financed out of the Multi-country Demobilization and Reintegration Program (MDRP) Grant Facility, in the amount of US\$ 9.8 million to support demobilization, disarmament and reintegration of former combatants, as well as two Low-Income Countries Under Stress (LICUS) Trust Fund Grants of US\$ 4.0 million (2004) and US\$ 6.8 million (2006) which funded technical assistance to improve economic governance and public financial management, the delivery of social services, and community-driven development activities.

6. **As an important first step in a coordinated international effort to reengage with the C.A.R., a Reengagement and Institution-Building Support Program Grant (RIBSUP) of SDR 55.4 million (about US\$ 82 million) was approved by IDA's Executive Directors in November 2006.** This operation supported the clearance of the C.A.R.'s arrears to IDA and provided budget support to the government. The RIBSUP is part of IDA's Interim Strategy for the period 2007-08 (set forth in an Interim Strategy Note that was presented to the IDA Executive Directors in January 2007), for which an exceptional IDA allocation of about US\$ 107 million has been made.

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<sup>2</sup> See "Heavily Indebted Poor Countries (HIPC) Initiative—List of Ring-Fenced Countries that Meet the Income and Indebtedness Criteria at end-2004".

## B. Political, Social, and Poverty Developments

7. **For most of the period since independence in 1960, the C.A.R. has experienced political instability and successive periods of armed conflict, resulting in weak governance and poor socio-economic outcomes.** A group headed by General François Bozizé seized power in March 2003 and established a transitional government. A new constitution was adopted in December 2004 and presidential and parliamentary elections were held during the first half of 2005. Mr. Bozizé was elected president and a new government was formed in July of that year.

8. **Since the new government took office, political and social stability has begun to strengthen, allowing more focus on economic management and the restoration of a minimal level of government functions.** However, tensions remain, partly because the economic recovery has been modest and the financial situation is difficult. The banditry that persists in the rural areas is particularly problematic for the agriculture sector but also affects transportation through the economic corridor with Cameroon. There is instability in the border areas with Chad and Sudan in the north. The authorities have expressed confidence that economic reform and program implementation would not be adversely affected by these developments.

9. **Social indicators place the C.A.R. among the least developed countries of the world (Box 1).** Indeed, the 2005 UNDP Human Development Report ranks the C.A.R. near the bottom of its Human Development Index (171<sup>st</sup> out of 177 countries). Over a long period, real GDP growth has lagged population growth, resulting in a substantial decline in per capita income that has only been halted recently. Household survey data suggest that more than two-thirds of the population live below the (income) poverty line, with about one-third in extreme poverty. Health indicators are among the worst in the world and life expectancy has fallen from roughly 50 years in the late 1990s to 39 years in 2005, due in large part to HIV/AIDS. Moreover, there are a large number of internally displaced people as a consequence of past instability and conflict, and women and children have been disproportionately affected. Education indicators are equally poor with a literacy rate of 31 percent (compared with an average of 47 percent for sub-Saharan Africa in 2004); and only about 10 percent of women in rural areas are literate.

## C. Policy Track Record and Reform Agenda

10. **The C.A.R. continues to emerge from a fragile economic environment but since mid-2005, macroeconomic performance and policy implementation have strengthened.** Following a sharp contraction in 2002-03, real GDP grew by 2.2 percent in 2005 and is estimated to have expanded by about 3½ percent in 2006. The recovery has been supported by traditional exports (diamonds and timber) but also by increased activity in the secondary and tertiary sectors. The agriculture sector, particularly cash crop production, remains weak, due in part to insecurity in some rural areas and along important transportation routes.

Inflation has generally been well contained, reflecting in part the benefits of the C.A.R.'s membership in the Central African Economic and Monetary Union (CEMAC) and its regional central bank (BEAC). Through September 2006, the 12-month rate of inflation was about 5 percent, partly due to an adjustment of petroleum product prices and an increase in indirect taxes, but is on a declining trend.

Indicator	Central African Republic	Sub-Saharan Africa average	Low-income country average
Population (in millions, mid-2004)	4.0	725.8	2343.0
Population growth (in percent, 1998-2004)	1.5	2.3	1.9
Gross national income per capita (US\$, 2005)	350.0	744.8	579.7
Life expectancy (years, 2004)	39.0	46.0	59.0
Infant mortality rate (per thousand, 2004)	115.0	100.0	79.0
Access to an improved water source (percent of population, 2004)	75.0	58.0	75.0
HIV/AIDS: Estimated prevalence rates (in percent)			
By gender:			
Male	9.5	5.0	...
Female	11.9	7.2	...
By age group:			
15-49	10.7	6.1	...
Immunization rate (percent of children ages 12-23 months)			
Measles	35.0	64.0	64.0
DPT	40.0	64.0	67.0
Child malnutrition (percent under 5 years)	24.0	29.0	39.0
Net primary enrollment rate (percent of age group)			
Total	52.0	64.0	79.0
Of which: Male	63.0	68.0	82.0
Female	41.0	60.0	75.0

Sources: World Bank, Economic and Social Indicators and UNAIDS, Report on the Global AIDS Epidemic, 2006.

11. **The current account deficit is estimated to have widened moderately in 2006 to 3.3 percent of GDP**, mainly reflecting lower official transfers. The impact of higher world oil prices on the trade balance should be broadly offset by higher prices for C.A.R. commodity exports. The real effective exchange rate appreciated by about 4 percent in the first three quarters of 2006, mainly because of relatively high inflation in the C.A.R.

12. **The fiscal position is estimated to have improved noticeably in 2006, in large part due to better fiscal management.** Although the level of revenue remains a concern, tax collection has improved markedly, while expenditures have declined due to measures to reduce the wage bill and a retrenchment from election-related spending in 2005. Overall, the domestic primary fiscal position is estimated to have shifted from a deficit of 3½ percent of GDP in 2005 to a surplus of about 0.4 percent of GDP in 2006.

13. **The authorities are taking steps to reduce domestic debt amounting to over 21 percent of GDP (of which, about 12 percent is due to payments and salary arrears), which accumulated primarily during the period 1998-2004.** Reducing and eventually eliminating domestic arrears is critical to enhancing the credibility of fiscal policy and regularizing relations with domestic creditors. With IDA assistance (through LICUS grants),

the authorities have undertaken a census and validation of these domestic payments arrears, which will be further verified by an external audit that should be completed by mid-2007.

14. **Structural policies have been directed to enhancing governance and improving the ability of the legal system to address financial and commercial crime.** All the structural measures under the two EPCA-supported programs have been implemented, albeit a few with a delay.

15. **In the area of public financial management, recent structural reform efforts have been directed at tax and customs administration improvements and enhancing budget formulation, execution, monitoring, and reporting.** These efforts will continue over the medium term as the authorities aim to improve the fiscal position, address domestic debt, and free resources for growth-enhancing and poverty-reducing expenditures.

16. **The C.A.R. faces a formidable challenge in mobilizing domestic revenue; accordingly, substantial efforts are being directed to this area.** Recent measures to boost revenue include (i) efforts to raise taxpayer compliance (the introduction of taxpayer identification numbers, increasing the frequency of tax audits, particularly of large taxpayers, stricter verification of documents filed by taxpayers), (ii) tax increases (including an increase in the value added tax rate and increasing the tax on petroleum products), and (iii) efforts to reorganize customs, including the establishment of fully securitized transit regimes covering imports from Douala to Bangui.

17. **On the expenditure side, a number of measures have been taken to enhance control and monitoring.** Recent efforts have focused on eliminating fraud and duplication in the public sector payroll and establishing a unified database for civil servants and military personnel (with assistance from UNDP and IDA), improving the regulatory framework (including enactment in July 2006 of the organic budget law prepared with assistance from the Fund), and enhancing treasury management (closure of a large number of commercial bank accounts, restrictions on the issuance of unbacked treasury checks, and the reduction in the use of cash advances). Further improvements are expected after revisions in the regulations governing public accounting, the chart of accounts, and budget classification. In late 2006, a Country Financial Accountability Assessment (CFAA) was initiated by IDA, which will guide further reform in this area. The Fund, IDA, and other development partners are active in providing technical assistance in public financial management and government finance statistics.

18. **Public procurement is also being reformed.** Current procurement rules are inconsistent and non-transparent, and as a result only a small fraction of spending is executed through the public procurement system. With IDA assistance, the government has recently undertaken a comprehensive review of the system, with a view to introduce a new, more transparent procurement code, which will be in line with international best practice. In the

interim, the government will ensure that existing bidding procedures follow basic procurement standards, are competitively awarded and publicly announced.

**19. The authorities have made efforts to improve governance and transparency.**

C.A.R. ranks well below the average for Sub-Saharan Africa in many of the World Bank's governance indicators, particularly in relation to government effectiveness, rule of law, and regulatory quality. However, progress on governance has been achieved in the past year, particularly on the transparency of public finance management including through the publication on a government website of fiscal, economic and judicial information. Efforts have been made to tackle commercial and financial crime and defend the state's interests through the government's Legal Agent (a financial unit in the Ministry of Justice in charge of prosecuting commercial and financial crime), although its work is being hampered by a lack of resources.

**20. The authorities are focusing efforts on removing the obstacles to private sector development.**

The government recently established a consultation framework with private sector associations (that may be assisted by the IFC), and has proposed creating a one-stop window in the Chamber of Commerce. The business environment will also be enhanced through more effective implementation of the OHADA business laws which are common to 16 African countries with a French legal tradition.<sup>3</sup> Further improvements are also expected to result from the settlement of domestic payments arrears, the simplification of international trade procedures, and a general reduction in transactions costs pertaining to business creation and operations. This would benefit, in particular, small- and medium-size firms which are mainly domestically owned.

**21. At the sectoral level, the authorities are pursuing measures to reduce the costs of doing business and the main obstacles to growth and poverty reduction.**

- In the **telecommunications sector**, progress has been made towards clarifying the regulatory framework and in particular, the rules involving licensing. In this regard, a revised telecommunications law is now being prepared by the authorities, following consultations with relevant stakeholders.
- In the **forestry sector**, the government has banned the use of special forestry harvesting permits, which enabled foresters to harvest without being in compliance with the forestry code. The forestry code is currently being revised (with assistance from the French Development Agency) to spur sustainable exploitation, increase domestic value added, improve tax collection, and enhance the development of forestry communities.

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<sup>3</sup> OHADA is the "Organisation pour l'Harmonisation en Afrique du Droit des Affaires (Organisation for the Harmonisation of Business Laws in Africa).

- In the **mining sector**, the mining code was revised in 2004 to bring it into line with international norms. However, weaknesses remain and discretionary actions by the government have limited its effectiveness. In addition, private sector activity in the mining sector has been hindered by government actions that some consider may contravene current regulations. In this regard, the government is undertaking an audit of the mining sector (with IDA assistance) to clarify regulations, address weaknesses in the mining code, and develop measures to enhance the development of the sector and its institutions (including through strengthening the collection, use, and reporting of sector revenue). The government will also establish a panel of international experts to advise on the content and terms of mining sector contracts, and also intends to participate in the Extractive Industries Transparency Initiative.
- In the **financial sector**, the authorities will build on the benefits of membership in the CEMAC and the strength of its financial institutions by pursuing a national strategy that promotes reforms to facilitate access to credit and remove obstacles to financial intermediation. The strategy is guided by the recent regional Financial Sector Stability Assessment and will be further refined by the forthcoming country module, expected during the first quarter of this year. The strategy involves efforts (i) to strengthen commercial banks' balance sheets by addressing non-performing loans attributed to past borrowing from state-owned enterprises; (ii) to facilitate the recapitalization of a troubled bank (without contributing additional government resources); and (iii) to reform the regulatory and legal framework, to strengthen governance and reduce lending risks.
- The situation in the **education sector** is bleak. Over a prolonged period, disinvestment has taken place, resulting in cancellation of school years and serious deterioration in the education indicators. For example, the rate of school attendance at the primary level was only 41 percent in 2003, the completion rate was only 34 percent in 2004, and the teacher/student ratio deteriorated from 1/73 in 2000 to 1/83 in 2005. Consequently, improving education is critical to the long-term development of the C.A.R. In the period ahead, the government's strategy is to improve access to basic education by rehabilitating school infrastructure, increasing the training of and incentives to teachers, supplying more and improved teaching materials, improving the legal framework of the sector, and strengthening institutional capacity.
- In the **health sector**, services have been reduced to a strict minimum. According to one estimate made by the Ministry of Health, only 37 percent of the C.A.R.'s population lived within 10 kilometers of a health facility in 1993. With one medical center for every 6,000 inhabitants and one bed for every 1,095 inhabitants, the existing infrastructure remains grossly inadequate, and hospitals and health centers are poorly equipped and maintained. Moreover, medical

supplies are lacking and centers often operate without running water and sanitary facilities. In addition, the government's expenditure on health in the past has strongly favored urban over rural areas. Current policies are aimed at rehabilitating sanitation infrastructure, increasing availability and quality of basic health care, reducing infant and maternal mortality, and addressing the most serious diseases (including malaria, tuberculosis and HIV/AIDS).

### III. MEDIUM- TO LONG-TERM MACROECONOMIC FRAMEWORK

22. **The medium- to long-term macroeconomic framework underlying the staffs' assessment of debt sustainability is based on a modest acceleration of growth, supported by a stable political and social situation that should lead to a durable improvement in business confidence and higher investment.** A critical element in the baseline scenario is the continued reengagement of the international community—without such engagement long-term prospects for the C.A.R. would be at risk.

Central African Republic: Medium- to Long-Term Macroeconomic Framework,  
Selected Indicators, 2006-25

	2006	2007	2008	2009	2007-25 (avg.)
	(Annual percentage change)				
National income and prices					
GDP at constant prices	3.5	4.0	4.3	4.5	4.2
GDP at current prices	7.5	6.5	6.9	7.1	6.8
Consumer prices (yearly average)	5.1	3.1	2.3	2.4	2.1
External sector					
Export volume	6.1	6.2	6.1	7.0	7.9
Import volume	7.8	8.3	8.5	9.0	5.5
Terms of trade (U.S. dollar basis)	2.3	-1.4	-0.4	-0.3	0.0
	(In percent of broad money at beginning of period)				
Money and credit					
Domestic credit	-8.4	1.8	...	...	...
Broad money	4.5	7.1	...	...	...
	(In percent of GDP)				
Central government finance					
Total revenue (including grants)	12.9	15.1	14.2	14.4	15.8
of which: Tax revenue	7.7	8.6	9.2	9.6	11.8
Total expenditure	-12.9	-13.4	-13.6	-13.8	-16.1
Overall balance (including grants)	0.0	1.7	0.6	0.6	-0.3
Domestic primary balance 1/	0.4	1.1	1.1	1.1	0.9
External current account balance (including grants)	-3.3	-2.6	-3.3	-3.9	-2.6
Net present value of external debt 2/	433.0	394.6	361.0	327.4	186.5

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

1/ Excludes interest payments, foreign-financed investment, and grants.

2/ In percent of exports of goods and non-factor services, after traditional debt relief.

- Average **annual real GDP growth** over the period 2007-25 is projected at 4.2 percent, which is a structural break from the past. This growth is predicated on maintaining security and sustained political stability, an improvement in the country's institutional and administrative capacity, and appropriate macroeconomic policies. This environment should lead to an increase in private

investment, especially in the forestry and mining sectors, and telecommunications. Public investment in infrastructure will help revive the agriculture sector, which dominates economic activity. The projected path of growth is also predicated on the reengagement of the international community and a sustained increase in inflows of foreign assistance.<sup>4</sup>

- **Inflation** is projected to average about 2 percent per annum over the long term, which is below the CEMAC convergence criteria of 3 percent but in line with the C.A.R.'s historical experience.
- The overall **fiscal deficit** (including grants) is projected to average 0.3 percent of GDP over the period 2007-25. Tax and non-tax revenue is expected to rise from less than 9 percent of GDP in 2006, to about 16.6 percent at the end of the period, mainly as a result of tax and customs administration reform and tax buoyancy from a sustained pickup of growth. Expenditures are expected to rise to about 19 percent of GDP by 2025, with an increase in the share of pro-poor spending in overall outlays. The deficit is expected to be financed by foreign loans on highly concessional terms.
- The external **current account deficit** (including grants) is projected to decline from an average of 3½ percent of GDP over the period 2007-11, to about 2½ percent of GDP during 2012-25. The reduction in the current account deficit is primarily due to a projected improvement in the trade balance, driven by stronger export performance, as a result of structural reform and infrastructure investment that will enhance the competitiveness and diversification of the export base.

#### IV. DEBT SUSTAINABILITY ANALYSIS AND PROSPECTIVE DEBT RELIEF

23. **The DSA was prepared jointly by the staffs of IDA and the IMF (in consultation with the authorities), based on loan-by-loan data provided by the authorities and by creditors.** Debt figures include public and publicly-guaranteed debt outstanding and disbursed as of end-December 2005. The reconciliation process was completed in October 2006, with 91 percent of multilateral and bilateral debt reconciled. The DSA assumes the C.A.R. reaches the decision point in September 2007 and the completion point at end-2009.<sup>5</sup> The envisaged move from decision point to completion point is somewhat faster than the

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<sup>4</sup> Grants are assumed to average nearly 60 percent of total external financing over the projection period and the resulting grant element of new disbursements (grants and loans) is assumed to average 54 percent. These levels are in line with the Fund-supported program and are comparable to the level of concessionality for other low-income countries coming out of debt distress.

<sup>5</sup> It should be noted that the estimates in the following DSA are only illustrative and that the amount and distribution of actual debt relief will depend on the debt stock at the decision point.

experience of other post-conflict countries, reflecting the progress the C.A.R. has achieved already in macroeconomic stabilization and structural reform.

### A. Structure of External Debt

24. **The C.A.R.'s public- and publicly-guaranteed external debt was estimated at US\$ 1.1 billion in nominal terms as of end-December 2005, equivalent to about US\$ 869 million in NPV terms.**<sup>6</sup> Multilateral creditors accounted for two-thirds of the total (in nominal terms), with IDA and the African Development Bank (AfDB) respectively representing 41 and 15 percent of the total. Bilateral creditors accounted for about 29 percent, with Paris Club creditors having a relatively low share (6.4 percent). Among the bilateral creditors, the C.A.R.'s liabilities to China are by far the largest (about 12 percent of the total stock), with significant claims held by the former Yugoslavia (2.9 percent) and Argentina (2.4 percent). Commercial creditors account for the remainder of the external debt stock.

Central African Republic: Nominal Stocks and Net Present Value of Debt at end-2005 by Creditor Groups

	Nominal Debt Stock 1/		Arrears Stock		NPV of Debt 1/	
	US\$ million	Percent of total	US\$ million	Percent of total	US\$ million	Percent of total
Total	1073.4	100.0	333.8	100.0	869.1	100.0
Multilateral	704.4	65.6	102.2	30.6	521.4	60.0
World Bank	437.9	40.8	49.1	14.7	302.2	34.8
IMF	35.9	3.3	0.0	0.0	33.0	3.8
AfDB Group	159.3	14.8	36.1	10.8	123.6	14.2
IFAD	33.4	3.1	6.8	2.0	23.8	2.7
European Investment Bank	6.8	0.6	0.5	0.2	5.6	0.6
BDEAC	9.6	0.9	0.3	0.1	11.5	1.3 2/
BADEA	12.0	1.1	0.0	0.0	12.3	1.4 2/
OPEC	9.4	0.9	9.4	2.8	9.4	1.1
Bilateral	315.0	29.3	184.3	55.2	293.7	33.8
Paris Club	69.1	6.4	23.2	7.0	64.8	7.5
Other official bilateral	245.8	22.9	161.0	48.2	228.9	26.3
Commercial	54.0	5.0	47.3	14.2	54.0	6.2

Sources: Central African authorities; and IMF and World Bank staff estimates.

1/ Includes arrears

2/ Adds back the grant element of the arrears clearance agreements with BDEAC and BADEA, as well as payments on the arrears clearance loans made in 2005.

25. **As of end-2005, a significant share (about 31 percent) of the C.A.R.'s external debt was in arrears.** External payment arrears stood at US\$ 333.8 million, of which US\$ 102.2 million were owed to multilateral creditors, US\$ 184.3 million to bilateral creditors, and US\$ 47.3 million to commercial creditors. Arrears clearance agreements were signed with BDEAC and BADEA in 2005. Arrears to IDA and the AfDB continued to accumulate during 2006 but were cleared in November and December 2006, respectively (see Box 2). In addition, the authorities have initiated discussions with the remaining

<sup>6</sup>In accordance with the methodology agreed with multilateral development banks, the NPV of C.A.R.'s external debt for the purpose of calculating HIPC debt relief excludes the NPV reduction contained in the arrears clearance operations of BADEA and BDEAC (See Table 1, footnote 3).

multilateral creditors (EIB, IFAD and the OPEC Fund). The Paris Club has given assurances to the Fund's staff in support of the PRGF arrangement, and a debt rescheduling is expected to take place during the first half of 2007. For other bilateral and commercial creditors, the C.A.R. will seek comparable treatment to that extended by the Paris Club.

### **Box 2. External Arrears Clearance**

#### **Agreements completed**

Arrears to IDA were cleared in November 2006 through a bridge loan from the French Development Agency. This loan was in turn repaid through a grant approved by IDA's Executive Directors in November 2006. The NPV debt reduction of this operation is US\$ 63 million.

Clearance of arrears to the AfDB took place in December 2006 (49.5 percent paid by the AfDB's Post-Conflict Country Facility and 50.5 percent by the C.A.R.'s development partners). The NPV debt reduction of this operation is US\$ 41.2 million.

BDEAC signed an arrears clearance agreement with the C.A.R. in March 2005 that involved rescheduling arrears and remaining debt service of two existing loans (a third loan, to a state-owned enterprise, was not included in the restructuring and remains in arrears). The NPV debt reduction of this operation was estimated at US\$ 800 thousand. However, in November 2006, BDEAC's board of directors approved a suspension of debt service payments under the new loan, effective from December 2006 until completion point.

BADEA signed an arrears clearance agreement with the C.A.R. in November 2005 leading to a rescheduling of total arrears (US\$ 12.34 million at the time) over a period of 13 years with no grace period. The NPV debt reduction of this operation is US\$ 2.08 million. BADEA has stated its intention to provide positive net transfers to the C.A.R. following the arrears clearance.

#### **Agreements in progress**

The authorities have initiated discussions with IFAD, the OPEC Fund and the European Investment Bank (EIB) and arrears to these creditors are expected to be cleared in the context of the HIPC Initiative.

Following the approval of the C.A.R.'s PRGF arrangement, Paris Club arrears are expected to be treated under a Naples terms flow agreement. The last Paris Club rescheduling agreement was granted to the C.A.R. in 1998 and a bilateral agreement with Russia remains to be signed.

With regard to other bilateral and commercial creditors, there is no indication yet of their intention regarding granting of arrears clearance or rescheduling to the C.A.R. In the past, the authorities have negotiated arrears clearance plans with three bilateral and commercial creditors (the Kuwaiti Fund, the Saudi Fund, and a commercial creditor from Switzerland), but creditors cancelled earlier arrears repayment agreements on the basis of the argument that the authorities did not respect the terms of those agreements, potentially hindering the C.A.R.'s negotiations of comparable treatment.

## B. Possible HIPC Initiative Assistance

26. **The NPV of the C.A.R.’s external public and publicly-guaranteed debt at end-December 2005 is estimated at about US\$ 869 million<sup>7</sup> and at US\$ 832 million after assuming full delivery of traditional debt relief (Table 1).<sup>8</sup> This is equivalent to 541 percent of exports of goods and services (see table below).<sup>9</sup> C.A.R. thus qualifies for debt relief under the HIPC Initiative’s export window, having an NPV of debt-to-exports ratio well above the 150 percent threshold.<sup>10</sup>**

27. **The reduction of C.A.R.’s NPV of debt-to-exports ratio from 541 percent to 150 percent would require HIPC debt relief of US\$ 602 million in NPV terms. This implies a common reduction factor of 72.3 percent. Based on proportional burden sharing, multilateral assistance would amount to US\$ 377 million (in NPV terms) and bilateral and commercial assistance to US\$ 225 million (also in NPV terms).**

Central African Republic: HIPC Initiative Assistance Under a Proportional Burden-Sharing Approach 1/ 2/  
(in millions of U.S. dollars, unless otherwise indicated)

	Debt Outstanding (NPV terms) end-2005 (A)	Debt Outstanding (NPV terms) Post-HIPC (B)	Reduction of the NPV of Debt due to HIPC (A-B)/3
Total	832	231	602
(as percent of exports of goods and non-factor services)	541	150	391
of which:			
Multilateral	521	144	377
Bilateral	258	71	186
Paris Club	57	16	41
Other Official Bilateral	201	56	145
Commercial	53	15	39
Memorandum Items:			
Common reduction factor (percent) 3/	72.3		
Exports of Goods and Non-Factor Services 4/	154		

Sources: Central African authorities; and IMF and World Bank staff estimates and projections.

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).

2/ Includes a hypothetical stock-of-debt operation on Naples terms (end-December 2005) and comparable treatment by other official bilateral creditors.

3/ Each creditor's NPV reduction in percent of its exposure at the reference date, end-December 2005, calculated as (A-B)/A.

4/ Based on the three-year backward-looking average (2003-2005).

28. **The modalities and timing of the delivery of the HIPC Initiative assistance will be decided at the decision point by each creditor taking into account their financial and legal constraints.** Nevertheless, in order to assess the impact of the HIPC Initiative assistance the following working assumptions have been made in accordance with previous practice:

<sup>7</sup> Adds back the grant element of the arrears clearance agreements with BDEAC and BADEA (see Box 2) as well as payments on the arrears clearance loans made in 2005.

<sup>8</sup> Includes a stock-of-debt operation on Naples terms at end-2005 and comparable action by other official bilateral and commercial creditors on eligible debt (pre-cutoff and non-ODA).

<sup>9</sup> In line with standard HIPC methodology, the NPV of debt-to-export ratio is calculated using a backward-looking three-year average of exports of goods and services.

<sup>10</sup> This ratio was 562 percent at end-2004, as reported in IDA-R2006-41 "Heavily Indebted Poor Countries (HIPC) Initiative—List of Ring-Fenced Countries that Meet the Income and Indebtedness Criteria at end-2004".

- **IDA's** assistance would amount to approximately US\$ 218.5 million in NPV terms. Of this total, an estimated US\$ 63.0 million relates to the recent arrears clearance operation. Immediately following the approval of the decision point by the Boards of IDA and the IMF, IDA will begin to provide the remaining assistance in the form of debt-service reduction on debt outstanding and disbursed as of end-December 2005. Annual debt service is estimated to be reduced by 67.5 percent starting at the decision point.
- **IMF** assistance is estimated to amount to US\$ 24 million in NPV terms. HIPC-eligible debt service consists of PRGF repayments associated with disbursements under the 1998 PRGF arrangement and those associated with the first disbursement under the current PRGF arrangement.<sup>11</sup>
- **AfDB** assistance would total US\$ 89.3 million in NPV terms, including US\$ 41.2 million provided through the recent arrears clearance operation. Relief is assumed to be provided starting at the decision point through an 80 percent debt service reduction until the NPV target has been reached.
- **IFAD's** assistance is assumed to be provided at the completion point through a concessional rescheduling of arrears as well as up to 100 percent debt service reduction until the NPV target is achieved.
- **The OPEC Fund for International Development (OFID)** is assumed to deliver HIPC debt relief at the completion point through a concessional rescheduling of arrears using resources from a Commodity Import Program. Moreover, it is assumed that a full delivery of relief will be reached by a write-off of part of the arrears.<sup>12</sup>
- A share of **BADEA's** assistance has already been delivered through the arrears clearance operation (BADEA regards this as its delivery of interim relief). The remaining assistance is assumed to be delivered prior to the completion point through a concessional rescheduling of the arrears clearance loan.<sup>13</sup>
- **BDEAC** is delivering interim relief through a moratorium on debt service payments. The outstanding debt and accrued interest are assumed to be

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<sup>11</sup> When the C.A.R. reaches the decision point, it could also request interim HIPC assistance from the Fund of up to 20 percent of the total HIPC debt relief committed (about US\$ 4.8 million) to cover its principal repayments falling due to the Fund during the next twelve months.

<sup>12</sup> In practice, OFID is likely to provide new financing at more concessional terms (compared to usual OFID terms) such that the additional grant element corresponds to the required write-off.

<sup>13</sup> It should be noted that BADEA usually delivers debt relief only at the completion point. In order to deliver its full amount of relief, under the current assumptions it would be necessary for BADEA to start delivering debt relief prior to the completion point.

restructured at the completion point into a loan with standard BDEAC terms. Delivery of relief is assumed to be achieved through a partial write-off of the arrears as part of the restructuring.

- The **EIB**'s assistance is assumed to take the form of a concessional clearance of arrears and debt service reduction at the completion point.
- **Paris Club bilateral creditors** are assumed to provide a flow rescheduling on Cologne terms—i.e., a 90 percent NPV reduction—after C.A.R. reaches the decision point, with delivery of the remaining required assistance at the completion point through a stock-of-debt operation. The rescheduling on Cologne terms is expected to translate into US\$ 41.1 million in relief in NPV terms.
- **Non-Paris Club** official bilateral creditors and **commercial creditors** are assumed to provide relief on terms similar to that granted by Paris Club creditors.

29. **Status of creditor participation.** IDA and IMF staffs have initiated consultations with multilateral creditors and the Paris Club. All multilateral creditors, as well as Paris Club creditors, have indicated their willingness to provide debt relief to the C.A.R. Nevertheless, some multilateral creditors (OFID, BADEA and BDEAC), accounting for less than 4 percent of the C.A.R.'s total debt, might be unable to deliver the full amount of debt relief under the proportional burden-sharing principles of the HIPC initiative due to institutional constraints. Moreover, although the C.A.R. will seek debt relief from non-Paris Club bilateral and commercial creditors comparable to that given by the Paris Club, previous experience suggests a substantial risk of non-participation by these creditors.

### C. Debt Sustainability Analysis

30. **The macroeconomic projections used in this analysis reflect the framework detailed in section III above and are consistent with those in the C.A.R.'s three-year PRGF arrangement.** On the basis of these projections, the C.A.R.'s external debt would remain above the HIPC threshold even after the application of traditional debt-relief mechanisms and concessional arrears clearance by IDA and the AfDB (Table 4a). At end-2005, the NPV of debt-to-exports and debt-to-revenue ratios are estimated at 541 and 770 percent respectively; without HIPC assistance, these ratios will remain well above the HIPC thresholds over the long term.

31. **In the absence of debt relief, the C.A.R.'s debt ratios remain above the HIPC threshold for almost the entire projection period (until 2019), while traditional debt relief reduces the NPV of debt to exports ratio to 143 percent by 2017.** Assuming the unconditional delivery of HIPC Initiative assistance, C.A.R.'s NPV of debt-to-exports ratio is expected to fall gradually from 150 percent as of end-December 2005, to approximately 57 percent by 2025 (Table 4a). The ratio of debt service to exports is expected to decline

from an average of 18 percent (before traditional relief during the period 2006-15), to under 10 percent after the delivery of HIPC debt relief.

#### **D. Debt Relief Under the MDRI**

32. **Upon reaching the HIPC completion point, the C.A.R. will also qualify for additional debt relief under the MDRI.** Three creditors would provide debt relief under the MDRI: IDA, the AfDB and the IMF. MDRI debt relief (net of HIPC assistance) would lead to a reduction of debt service on debt owed to IDA, the IMF and the African Development Bank of approximately US\$ 101 million (NPV terms as of the decision point).

33. **MDRI debt relief from IDA could amount to about US\$ 151 million in nominal terms (US\$ 72.3 million in NPV terms as of the decision point date), assuming that C.A.R. reaches the completion point by end-2009.** Debt service reduction from the MDRI is expected to average about US\$ 7.2 million per year following the completion point.

34. **The IMF would provide, under the MDRI, 100 percent debt relief on all debt disbursed prior to end-2004 and still outstanding at the completion point after provision of HIPC assistance.** It is estimated that this would amount to about US\$ 1.7 million in nominal terms (US\$ 1.4 million in end-2005 NPV terms).

35. **The AfDB's MDRI debt relief could amount to approximately US\$ 59.9 million in nominal terms (US\$ 27.8 million in 2005 NPV terms), or annual debt service reduction (net of HIPC assistance) averaging US\$ 1.6 million.**

36. **After delivery of HIPC assistance and MDRI, C.A.R.'s NPV of debt-to-exports ratio is expected to fall significantly to 65.9 percent the year following completion point (Table 4a).** Compared with the projection including only HIPC assistance, this represents a reduction of nearly 60 percentage points at completion point.

#### **E. Sensitivity Analysis**

37. **Two scenarios are used to test the sustainability of the C.A.R.'s external debt, after assuming full delivery of HIPC Initiative assistance (Table 4b and Figure 3).**

- **The first scenario considers the sensitivity of the projections to significantly lower growth of exports.** In this scenario, export volumes are assumed to grow by an average of 2 percent per annum, which is about 6 percentage points below the baseline.<sup>14</sup> Lower export growth is assumed to reduce government revenue through lower output and to increase the need for new financing. This scenario highlights the importance of economic reform, and, in particular, the need to

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<sup>14</sup> During the past several years, export volume growth has averaged about 2 percent per annum, reflecting the unstable political and economic situation until more recently.

strengthen the export base in the C.A.R. The absence of a recovery in exports would lead to a serious deterioration of the debt ratios, with the NPV of debt to exports rising sharply, even after the full delivery of HIPC assistance.

- **The second scenario considers the sensitivity of the projections to new borrowing on less concessional terms.** This is an important scenario given the C.A.R.'s significant financing needs and the challenge of mobilizing highly concessional external resources. In this case, new loans to cover the financing gap are assumed to carry a 7 percent interest rate, which is equivalent to bringing the combined grant element of new financing to zero (compared with 50 percent under the baseline).<sup>15</sup> Under this scenario, the NPV of debt to exports ratio remains above 150 percent until 2018. The debt service to revenue ratio also deteriorates, averaging 12.4 percent between 2015 and 2017; a deterioration of over 5 percentage points from the baseline. The persistent deterioration of debt ratios under this scenario underscores the importance of securing external resources on highly concessional terms and avoiding non-concessional borrowing, to reduce the likelihood of a possible return to debt distress.

## V. THE DECISION AND FLOATING COMPLETION POINTS

### A. PRSP Process

38. **The government prepared an interim PRSP in January 2001 prior to the conflict.** The I-PRSP was participatory in nature, drafted by a technical committee in collaboration with representatives from employers' associations, trade unions, and local NGOs. The I-PRSP was presented to the Boards of IDA and the IMF along with a Joint Staff Assessment (JSA) which praised the government's efforts under difficult circumstances (capacity, data, and financial constraints). Also, the JSA took note of the need to address weaknesses, including prioritization of policy objectives and monitoring and evaluation of outcomes. The finalization of the PRSP was interrupted by political instability and conflict and the process did not commence again until a new government was established in mid-2005. Since then, technical assistance has been provided by the IDA, AfDB and the UNDP and a full PRSP is expected to be completed by mid-2007.

39. **The government's priorities emerging from the PRSP are to (i) consolidate peace and security; (ii) improve governance and public sector institutional and administrative capacity; (iii) promote macroeconomic stability and economic growth; and (iv) improve**

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<sup>15</sup> The 7 percent rate of interest is composed of the euro discount rate of 4.75 percent plus the CFAF spread of 2.25 percent. Under this scenario, the volume of export growth and the share of grants in total financing is the same as the baseline.

**access to essential services and infrastructure.**<sup>16</sup> Achieving these objectives will be a challenge given the C.A.R.'s financial constraints, namely a low tax revenue-to-GDP ratio (under 8 percent of GDP), low inflows of official assistance, and a heavy debt burden. Since until recently the C.A.R. has been servicing only a small part of its debt, the fiscal impact of debt relief under the HIPC Initiative and MDRI ahead of the completion point will be correspondingly limited. Thus, the C.A.R. will need significantly higher inflows of official foreign assistance to support the government's efforts to implement its PRSP and ensure sustained economic development. In this context, the authorities will need to service its external debt in a timely manner to ensure that the recent reengagement and support from the international community continues.

### **B. Possible Decision Point Timing**

40. **In the staffs' view, the C.A.R.'s overall track record of macroeconomic performance and structural reform since mid-2005 forms a firm basis for considering its eligibility for effective debt relief under the enhanced HIPC initiative.** This includes the C.A.R.'s satisfactory performance under the 2006 EPCA program, during which the authorities made important progress toward consolidating macroeconomic stability and undertaking structural reforms in several key areas. In this regard, the staffs are of the view that the decision point document for the C.A.R. could be considered by the Boards of IDA and the IMF in September 2007, conditional upon (i) completion of the first review under the PRGF arrangement and (ii) reaching of understandings between the staffs and the authorities on the details of appropriate completion point triggers.

### **C. Possible Triggers for the Floating Completion Point**

41. **The reform agenda outlined above presents the core policies which will support the economic and social development of the C.A.R., underpin the HIPC initiative and MDRI assistance, and provide a framework for the choice of possible floating completion point triggers.** Each of the triggers is intended to contribute to improved economic and financial management, especially on the expenditure side, increased transparency and accountability on the part of public sector managers, and measurable improvement in outcomes in key sectors (health, education, and infrastructure).

42. **The IMF and IDA staffs have reached preliminary understandings on the broad coverage of the triggers (Box 3).** The staffs will seek more detailed understandings with the

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<sup>16</sup> In 2006, to facilitate discussions with the international community and donor coordination, the Government decided to prepare an Economic and Social Policy Framework (ESPF) to lay out its reform plans over the following 12-18 months, as well as a Transitional Results Matrix.

authorities on each trigger prior to the decision point to ensure that they can be adequately quantified and/or assessed to determine the timing of the completion point.<sup>17</sup>

### **Box 3. Possible Triggers for the Floating Completion Point**

**PRSP:** Preparation of a full PRSP through a participatory process and satisfactory implementation of its recommended actions for at least one year.

**Macroeconomic stability:** Maintenance of macroeconomic stability as evidenced by satisfactory performance under an ongoing PRGF arrangement.

**Public financial management:** Improve the effectiveness, transparency, and accountability of public financial management through: (i) implementation, for at least one year, of a permanent system to regularly track fiscal receipts and monitor expenditures; (ii) annual audits of the government accounts, which will be published; (iii) satisfactory implementation of the new payroll management system; (iv) satisfactory implementation of revised procurement legislation; and (v) civil service reform, which would include effective implementation of new statutes and a law on asset declaration and disclosure for senior civil servants and public enterprise managers.

**Natural resource management:** Improve the regulatory and reporting framework through (i) enhanced transparency over sector revenue and its use, including through successive annual audits; and (ii) revision of the mining code, with broad consultation.

**Structural reform:** Measures aimed at improving the business climate, which would involve (i) enhancing the performance and monitoring of key state-owned enterprises, including through financial surveillance and cost-recovery pricing; (ii) the effective implementation of the OHADA business law; and (iii) regular consultations with key private sector associations and timely implementation of agreements, pertaining, in particular, to reducing the cost of creating firms and doing business.

**Social sectors:** In **education**, rehabilitation of 500 classrooms, at least 75 percent of which outside Bangui. In **health**, improvement in the DPT3 immunization rate from 40 percent in 2005 to about 80 percent, and distribution of about 500,000 impregnated anti malarial mosquito bed-nets.

**HIV/AIDS:** The aim will be to improve (i) **prevention** by increasing the distribution of condoms to about 12 million per year (from 6 million in 2006) and the percentage of blood tested to 95 percent (from 89 percent in 2006), and (ii) **treatment** through better access to ARV for people at an advanced stage of infection to about 30 percent (from 4.2 percent in 2005).

**External debt management:** Strengthen external debt management through the (i) consolidation of all public debt data, (ii) publication of quarterly external debt data and projections for at least one year, and (iii) improving public investment project evaluation.

## **D. Monitoring the Use of HIPC Initiative Resources**

43. **It is essential that debt relief under the HIPC and MDRI Initiatives be accompanied by a strong program that ensures the effective use of domestic and external resources and reflects the expenditure priorities in the PRSP.** This will require

<sup>17</sup> As indicated earlier, the completion point is assumed to be reached at end-2008, implying an interim period of 2-2½ years.

continued efforts to strengthen the programming, management, control and monitoring of expenditures, as well as an improvement in service delivery in key sectors. A basic monitoring mechanism for tracking expenditures is expected to have been designed by the decision point and be operational as of January 2008. Box 4 lists an initial set of priority expenditure areas which have emerged so far from discussions with the authorities and will be refined and consolidated prior to the decision point.

**44. Tracking of expenditure through the budget chain (*engagement, liquidation, ordonnancement, paiement*) will be facilitated by the new nomenclature, which is currently being prepared with assistance from donors and will include detailed administrative, functional, and economic classifications of public expenditure.** As a result, actual recording and reporting of budgetary expenditures will allow donors to identify the allocations to projects with high impacts on poverty reduction. Following the example of other countries, a portion of new domestic and/or external resources could, if it is judged necessary, be ring-fenced by lodging them in a special account in BEAC with their utilization being restricted to agreed poverty related expenditures. The use of funds could also be monitored by an oversight committee with civil society participation (as well as the donor community in observer status).

#### **Box 4. Possible Medium-Term Expenditure Priorities**

##### **Governance**

- Finance a results-based monitoring and evaluation system, as a management tool for efficient public resource utilization.
- Finance judicial system reform.

##### **Health**

- Increase availability of health care services in all regions of the country.
- Improve the availability of drugs, immunization programs, and prevention campaigns against malaria.
- HIV/AIDS prevention and treatment.

##### **Education**

- Increase resources to primary education, with the objective of attaining 100 percent enrollment of universal basic education.
- Build and enhance maintenance of public schools and educational facilities, particularly in rural areas.
- Provision of textbooks and teaching material.
- School feeding program.

##### **Infrastructure development**

- Rehabilitate important infrastructure destroyed or damaged during the conflict.
- Upgrade infrastructure, including roads, in remote areas.

##### **Rural infrastructure development**

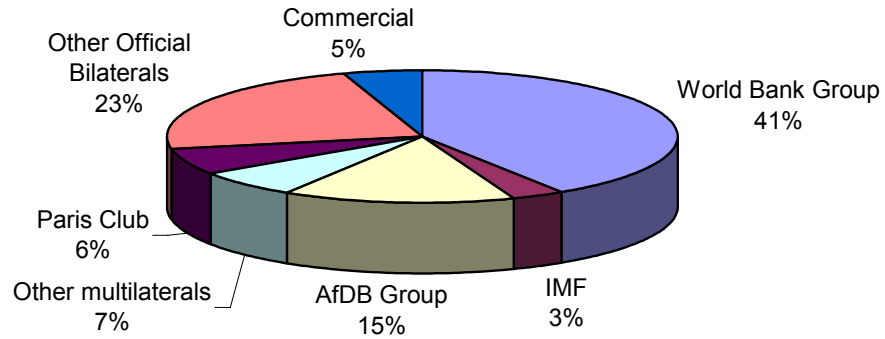
- Develop micro financing facilities to support acquisition of technical equipment and machinery by farmers.

## VI. ISSUES FOR DISCUSSION

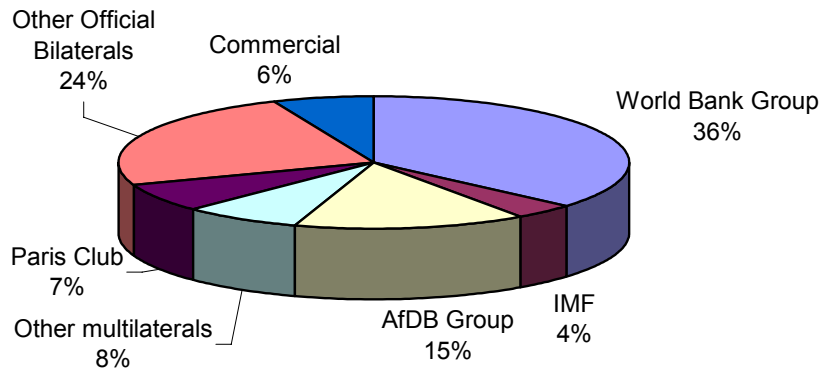
45. **This paper presents a preliminary assessment of the Central African Republic's eligibility for assistance under the enhanced HIPC Initiative.** Executive Directors' views and guidance are sought in particular on the following issues:

- **Eligibility:** Do Executive Directors agree that the Central African Republic is eligible for assistance under the enhanced HIPC Initiative?
- **Timing of the Decision Point:** Do Executive Directors agree that Central African Republic could reach the decision point by September 2007 provided (i) that the country remains on track with the Fund-supported program and (ii) understandings are reached on appropriate completion point triggers?
- **Floating Completion Point:** What are the Executive Directors' views on possible key policy measures ("triggers" against which satisfactory performance would have to be measured) linked to the floating completion point?

**Figure 1a. Central African Republic: Composition of Stock of External Debt at End- 2005 by Creditor Group  
(Nominal stock: \$1.07 billion)**

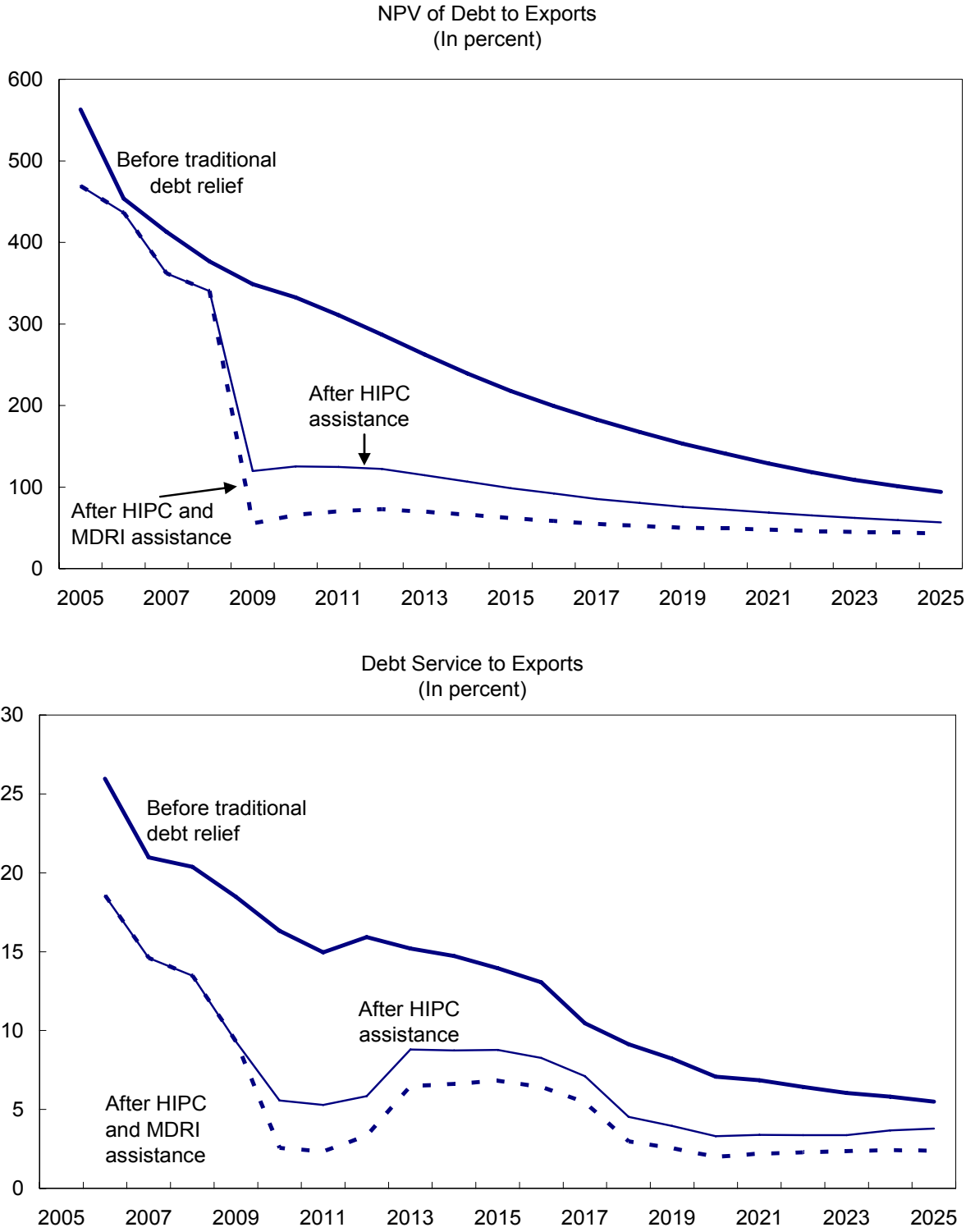


**Figure 1b. Central African Republic: Potential Costs of the HIPC Initiative by Creditor Group  
(Total Estimated HIPC Assistance: \$602 million, end-2005 NPV terms)**



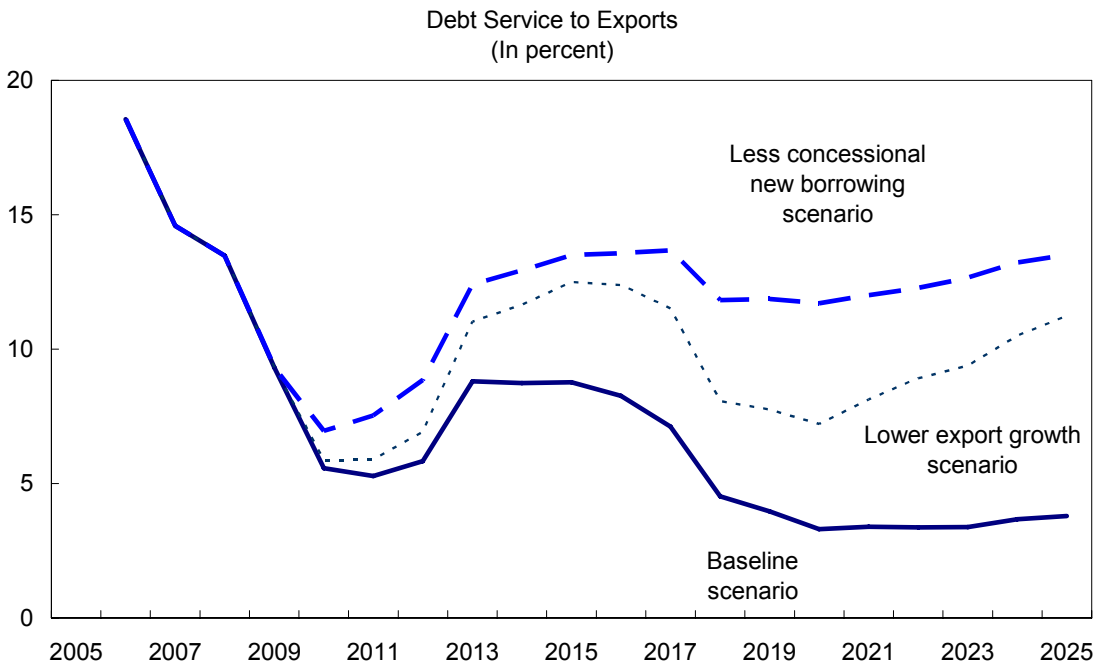
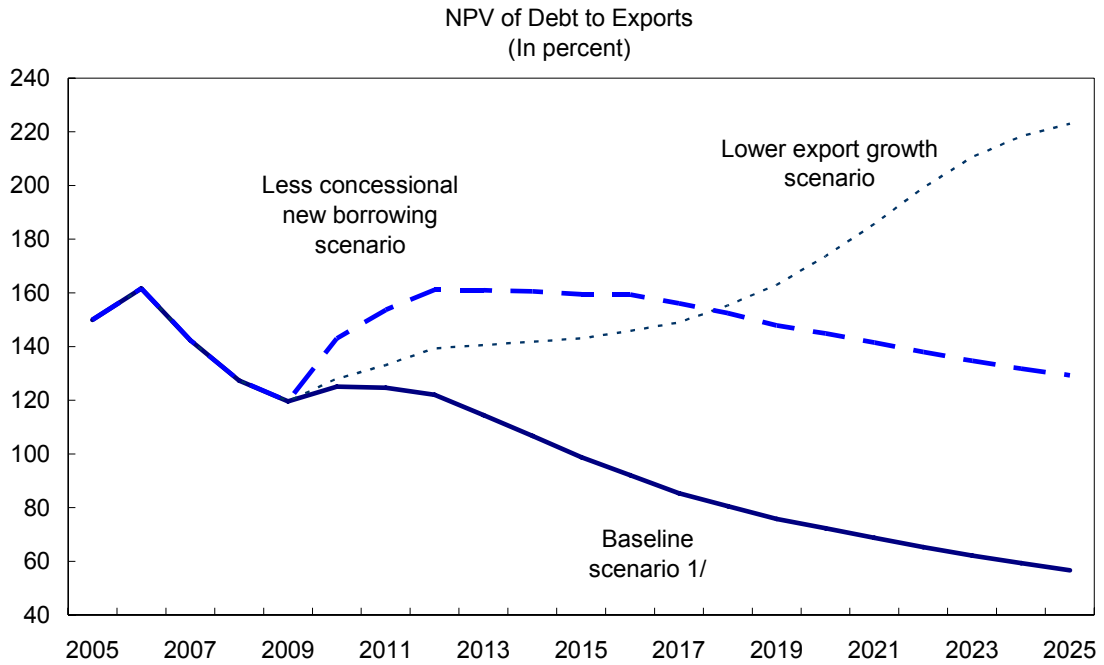
Sources: Central African authorities; and IMF and World Bank staff estimates.

**Figure 2. Central African Republic: External Debt Sustainability Indicators, 2005-25**



Sources: Central African authorities; and IMF and World Bank staff estimates.

**Figure 3. Central African Republic: Sensitivity Analysis, 2005-25**



Sources: Central African authorities; and IMF and World Bank staff estimates.  
 1/ After unconditional delivery of HIPC debt relief.

**Table 1. Central African Republic: Nominal Stocks and Net Present Value of Debt at end-2005  
by Creditor Groups**

	Nominal Debt Stock 1/		Arrears Stock		NPV of Debt 1/		NPV of Debt after Traditional Debt Relief 2/	
	US\$ million	Percent of total	US\$ million	Percent of total	US\$ million	Percent of total	US\$ million	Percent of total
Total	1073.4	100.0	333.8	100.0	869.1	100.0	832.4	100.0
Multilateral	704.4	65.6	102.2	30.6	521.4	60.0	521.4	62.6
World Bank	437.9	40.8	49.1	14.7	302.2	34.8	302.2	36.3
IMF	35.9	3.3	0.0	0.0	33.0	3.8	33.0	4.0
AfDB Group	159.3	14.8	36.1	10.8	123.6	14.2	123.6	14.8
IFAD	33.4	3.1	6.8	2.0	23.8	2.7	23.8	2.9
European Investment Bank	6.8	0.6	0.5	0.2	5.6	0.6	5.6	0.7
BDEAC	9.6	0.9	0.3	0.1	11.5	1.3	11.5	1.4
BADEA	12.0	1.1	0.0	0.0	12.3	1.4	12.3	1.5
OPEC	9.4	0.9	9.4	2.8	9.4	1.1	9.4	1.1
Bilateral and Commercial	369.0	34.4	231.6	69.4	347.7	40.0	311.0	37.4
Bilateral	315.0	29.3	184.3	55.2	293.7	33.8	257.7	31.0
Paris Club:	69.1	6.4	23.2	7.0	64.8	7.5	56.9	6.8
Post-cutoff date	6.2	0.6	3.1	0.9	6.0	0.7	6.0	0.7
ODA	6.2	0.6	3.1	0.9	6.0	0.7	6.0	0.7
Non-ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-cutoff date	63.0	5.9	20.2	6.0	58.8	6.8	50.9	6.1
ODA	0.7	0.1	0.2	0.1	0.6	0.1	0.6	0.1
Non-ODA	62.3	5.8	20.0	6.0	58.2	6.7	50.3	6.0
Austria	5.4	0.5	1.3	0.4	4.7	0.5	4.5	0.5
EEC IDA administered loans	0.4	0.0	0.1	0.0	0.3	0.0	0.1	0.0
France	4.2	0.4	1.3	0.4	4.6	0.5	4.0	0.5
Germany	3.1	0.3	1.3	0.4	3.4	0.4	3.0	0.4
Italy	5.7	0.5	1.5	0.5	4.7	0.5	4.5	0.5
Japan	6.2	0.6	3.1	0.9	6.0	0.7	6.0	0.7
Russia	0.8	0.1	0.1	0.0	0.6	0.1	0.6	0.1
South Africa	7.1	0.7	3.2	1.0	8.1	0.9	7.5	0.9
Switzerland	24.3	2.3	6.4	1.9	20.5	2.4	19.0	2.3
United Kingdom	0.7	0.1	0.3	0.1	0.7	0.1	0.6	0.1
United States	11.2	1.0	4.7	1.4	11.2	1.3	7.1	0.9
Other Official Bilateral:	245.8	22.9	161.0	48.2	228.9	26.3	200.7	24.1
Post-cutoff date	202.4	18.9	117.6	35.2	185.4	21.3	174.6	21.0
ODA	173.0	16.1	91.3	27.4	156.4	18.0	146.1	17.5
Non-ODA	29.4	2.7	26.2	7.9	29.0	3.3	28.6	3.4
Pre-cutoff date	43.5	4.1	43.5	13.0	43.5	5.0	26.1	3.1
ODA	40.8	3.8	40.8	12.2	40.8	4.7	25.3	3.0
Non-ODA	2.6	0.2	2.6	0.8	2.6	0.3	0.8	0.1
Argentina	25.6	2.4	25.6	7.7	25.6	2.9	25.2	3.0
Benin	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Cameroon	1.3	0.1	1.3	0.4	1.3	0.1	0.4	0.0
Chad	0.4	0.0	0.4	0.1	0.4	0.0	0.1	0.0
China	127.6	11.9	62.7	18.8	115.1	13.2	108.5	13.0
Congo	0.3	0.0	0.3	0.1	0.3	0.0	0.1	0.0
Equatorial Guinea	3.8	0.4	0.6	0.2	3.4	0.4	3.4	0.4
Iraq	5.4	0.5	5.4	1.6	5.4	0.6	1.1	0.1
Ivory Coast	0.2	0.0	0.2	0.1	0.2	0.0	0.1	0.0
Kuwait	20.2	1.9	17.2	5.2	19.9	2.3	16.3	2.0
Libya	12.5	1.2	0.7	0.2	9.4	1.1	9.2	1.1
Mali	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Saudi Arabia	17.0	1.6	15.0	4.5	16.3	1.9	14.9	1.8
Senegal	0.3	0.0	0.3	0.1	0.3	0.0	0.1	0.0
Togo	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Former Yugoslavia	31.2	2.9	31.2	9.4	31.2	3.6	21.3	2.6
Commercial	54.0	5.0	47.3	14.2	54.0	6.2	53.4	6.4
Post-cutoff date	54.0	5.0	47.3	14.2	54.0	6.2	53.4	6.4
Pre-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	45.3	4.2	39.1	11.7	45.3	5.2	44.8	5.4
Hospital debt	9.5	0.9	4.3	1.3	9.4	1.1	9.3	1.1
Post Office debt	31.6	2.9	30.8	9.2	31.7	3.6	31.3	3.8
Switzerland	3.1	0.3	2.6	0.8	3.1	0.4	3.0	0.4
Suppliers credits 4/	5.6	0.5	5.6	1.7	5.6	0.6	5.6	0.7

Sources: Central African authorities; and IMF and World Bank staff estimates.

1/ Includes arrears.

2/ Includes a stock-of-debt operation on Naples terms at end-2005; and at least comparable action by other official bilateral and commercial creditors on eligible debt (pre-cutoff and non-ODA).

3/ Adds back the grant element of the arrears clearance agreements with BDEAC and BADEA, as well as payments on the arrears clearance loans made in 2005.

4/ Represents past unpaid government bills in arrears from various foreign suppliers that the government has recognized as its debt.

**Table 2. Central African Republic: External Debt Service, 2006–2025 1/**  
(in millions of U.S. dollars, unless otherwise indicated)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Averages			
																					2006-2015	2015-2025		
<b>Before traditional debt relief</b>																								
Total	47.1	40.6	41.9	40.6	38.6	38.2	44.2	45.6	47.9	49.2	49.0	42.5	40.0	38.9	36.2	38.0	38.6	38.7	39.6	40.0	43.4	40.2		
Existing debt 2/ 3/	47.0	40.5	41.7	40.3	37.6	36.8	37.2	37.3	37.4	35.5	35.0	32.2	29.6	29.3	28.5	28.2	27.1	25.5	25.1	24.1	39.1	28.5		
Multilateral	34.6	28.8	29.7	28.5	27.8	28.0	27.4	27.4	27.2	25.7	25.2	25.0	24.8	24.6	23.7	23.5	23.3	23.1	22.9	22.5	28.5	23.9		
Official bilateral	10.3	10.3	10.6	10.6	9.1	8.7	9.7	9.8	10.1	9.7	9.7	7.1	4.6	4.6	4.6	4.7	3.8	2.4	2.1	1.6	9.9	4.5		
Commercial	2.0	1.3	1.3	1.3	0.7	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.7	0.1		
New debt 4/	0.1	0.2	0.2	0.3	0.9	1.4	7.0	8.3	10.5	13.7	14.0	10.4	10.5	9.6	7.7	9.8	11.5	13.2	14.6	15.9	4.3	11.7		
Debt service to exports ratio	26.0	21.0	20.4	18.5	16.3	15.0	15.9	15.2	14.7	13.9	13.1	10.5	9.1	8.2	7.1	6.9	6.4	6.0	5.8	5.5	17.7	7.9		
Debt service to revenue ratio	34.8	24.2	21.9	19.0	16.4	14.7	15.5	14.6	13.9	13.1	11.9	9.4	8.1	7.2	6.1	5.9	5.5	5.1	4.8	4.4	18.8	6.8		
<b>After traditional debt relief 5/</b>																								
Total	54.1	47.6	48.7	63.3	60.5	68.4	73.8	74.2	59.7	60.8	60.3	53.5	52.9	51.5	48.7	41.4	42.6	43.0	44.2	44.9	61.1	48.3		
Existing debt 2/ 3/	54.0	47.4	48.5	63.0	59.6	67.0	66.7	65.9	49.1	47.1	46.3	43.1	42.4	41.9	41.0	31.6	31.2	29.8	29.6	29.0	56.8	36.6		
Multilateral	34.6	28.8	29.7	28.5	27.8	28.0	27.4	27.4	27.2	25.7	25.2	25.0	24.8	24.6	23.7	23.5	23.3	23.1	22.9	22.5	28.5	23.9		
Official bilateral	15.5	15.4	15.7	22.2	20.3	28.5	29.2	28.8	21.8	21.3	21.0	18.0	17.5	17.2	17.1	8.1	7.8	6.7	6.7	6.5	21.9	12.7		
Commercial	3.8	3.1	3.1	12.4	11.4	10.5	10.1	9.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	6.4	0.1		
New debt 4/	0.1	0.2	0.2	0.3	0.9	1.4	7.0	8.3	10.5	13.7	14.0	10.4	10.5	9.6	7.7	9.8	11.5	13.2	14.6	15.9	4.3	11.7		
Debt service to exports ratio	29.8	24.6	23.7	28.8	25.6	26.8	26.6	24.7	18.3	17.2	16.1	13.2	12.1	10.9	9.5	7.5	7.1	6.7	6.5	6.2	24.6	9.6		
Debt service to revenue ratio	40.0	28.4	25.5	29.6	25.7	26.3	25.8	23.7	17.4	16.1	14.6	11.8	10.7	9.5	8.3	6.4	6.1	5.6	5.3	5.0	25.9	8.3		
<b>After HIPC assistance 6/</b>																								
Total	33.7	28.3	27.7	20.5	13.2	13.5	16.2	26.4	28.5	30.9	31.0	28.9	19.8	18.7	16.9	18.8	20.2	21.6	25.1	27.5	23.9	22.9		
Existing debt 2/ 3/	33.5	28.1	27.5	20.2	12.2	12.1	11.7	21.6	21.4	20.8	20.3	19.4	9.3	9.1	9.2	9.0	8.8	8.5	10.5	11.7	20.9	11.6		
Multilateral	33.5	24.9	9.8	7.6	7.7	8.1	7.5	8.3	8.5	8.3	8.2	8.2	8.1	8.0	8.0	7.9	7.8	7.8	9.8	11.1	12.4	8.5		
Official bilateral	0.0	2.7	15.5	10.5	3.3	3.2	3.4	8.9	8.7	8.3	8.1	7.3	1.0	0.9	0.9	0.9	0.8	0.5	0.5	0.4	6.4	2.1		
Commercial	0.0	0.4	2.1	2.1	1.3	0.8	0.8	4.4	4.3	4.2	4.1	3.9	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.0	1.0		
New debt 4/ 7/	0.1	0.2	0.2	0.3	0.9	1.4	4.5	4.9	7.0	10.2	10.7	9.5	10.5	9.6	7.7	9.8	11.5	13.2	14.6	15.9	3.0	11.3		
Debt service to exports ratio after HIPC assistance	18.6	14.6	13.5	9.3	5.6	5.3	5.8	8.8	8.7	8.8	8.3	7.1	4.5	4.0	3.3	3.4	3.4	3.4	3.7	3.8	9.9	4.5		
Debt service to revenue ratio after HIPC assistance	24.9	16.9	14.5	9.6	5.6	5.2	5.7	8.4	8.3	8.2	7.5	6.4	4.0	3.5	2.9	2.9	2.9	2.8	3.0	3.0	10.7	3.9		
<b>Reduction in debt service as a result of HIPC Initiative assistance 8/</b>																								
	...	19.3	21.0	42.9	47.4	54.9	57.6	47.8	31.2	29.9	29.3	24.6	33.1	32.8	31.8	22.6	22.4	21.4	19.2	17.3	39.1	25.4		
<b>After HIPC and MDRI assistance 9/</b>																								
Total	33.7	28.3	27.7	20.5	6.0	6.0	9.3	19.5	21.5	24.0	24.2	22.1	13.0	12.1	10.2	12.2	13.7	15.1	16.5	17.4	19.6	15.6		
Existing debt 2/ 3/	33.5	28.1	27.5	20.2	5.1	4.6	4.7	14.6	14.5	13.9	13.5	12.6	2.6	2.5	2.5	2.4	2.2	2.0	1.9	1.6	16.7	4.4		
Multilateral	33.5	24.9	9.8	7.6	0.6	0.6	1.3	1.6	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.0	8.2	1.3		
Official bilateral	0.0	2.7	15.5	10.5	3.3	3.2	3.4	8.9	8.7	8.3	8.1	7.3	1.0	0.9	0.9	0.9	0.8	0.5	0.5	0.4	6.4	2.1		
Commercial	0.0	0.4	2.1	2.1	1.3	0.8	0.8	4.4	4.3	4.2	4.1	3.9	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.0	1.0		
New debt 4/ 7/	0.1	0.2	0.2	0.3	0.9	1.4	4.5	4.9	7.0	10.2	10.7	9.5	10.5	9.6	7.7	9.8	11.5	13.2	14.6	15.9	3.0	11.3		
Debt service to exports ratio after HIPC and MDRI assistance	18.6	14.6	13.5	9.3	2.6	2.3	3.3	6.5	6.6	6.8	6.4	5.4	3.0	2.5	2.0	2.2	2.3	2.4	2.4	2.4	8.4	3.1		
Debt service to revenue ratio after HIPC and MDRI assistance	24.9	16.9	14.5	9.6	2.6	2.3	3.2	6.2	6.3	6.4	5.9	4.9	2.6	2.2	1.7	1.9	2.0	2.0	2.0	1.9	9.3	2.7		
<b>Reduction in debt service as a result of MDRI assistance</b>																								
	0.0	0.0	0.0	0.0	7.1	7.5	6.9	7.0	6.9	6.9	6.8	6.8	6.7	6.7	6.7	6.6	6.6	6.5	8.6	10.1	4.2	7.2		
<b>Memorandum items:</b>																								
Exports of goods and nonfactor services 10/	181.4	193.6	205.5	219.7	236.3	255.6	277.7	300.5	325.8	352.6	375.5	406.4	438.0	472.8	511.1	554.8	600.4	640.0	682.1	727.1	254.9	540.8		
Government revenues 11/	135.2	167.5	190.8	213.7	235.8	259.9	285.6	313.6	344.0	376.8	412.5	451.6	493.7	539.7	588.9	642.2	700.3	763.3	831.5	905.5	252.3	632.9		

Sources: Central African authorities; and IMF and World Bank staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated. Fiscal year ends in December.

2/ Includes only principal and interest due on debt outstanding as of the reference date (12/31/2005) and does not include projected penalty interest on arrears.

3/ Debt service in 2006 includes the repurchase with PRGF resources of SDR 5.57 million drawn under the Fund's EPCA on July 27, 2004.

4/ Reflects debt service on the projected borrowing needed to close the current account gap as well as the repurchase with PRGF resources of SDR 5.57 million previously drawn under the Fund's EPCA.

5/ Assumes a hypothetical stock of debt operation on Naples terms and comparable treatment from other bilateral creditors; excludes multilateral arrears clearance.

6/ Bilateral and commercial creditors are assumed to provide a Cologne flow rescheduling on eligible debt during the interim period and a Cologne stock of debt operation at the completion point (end December 2009).

Multilateral creditors are also assumed to provide HIPC debt relief as of the completion point, except for the IMF, the World Bank and the AfDB Group for which the delivery would start after the decision point.

7/ The IMF delivers debt relief on both old debt (the PRGF outstanding as of 12/31/05), as well as the new PRGF approved in December 2006. Debt relief on the new PRGF is reflected as a reduction in debt service associated with new borrowings.

8/ The reduction is measured as the difference between the projected debt service after full use of traditional debt relief and debt service after the application of HIPC relief.

9/ MDRI assistance applies to the World Bank, the IMF and the AfDB and starts after the assumed completion point (December 2009). Assumes that MDRI has no impact on the CAR's new borrowing over the projection period.

10/ As defined in IMF, Balance of Payments Manual, 5th edition, 1993. Refers to current year exports.

11/ Revenues are defined as central government revenues, excluding grants.

**Table 3. Central African Republic: Net Present Value of External Debt, 2005-2025**  
(in millions of U.S. dollars, unless otherwise indicated)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Averages		
																						2005-2015	2016-2025	
<b>I. After traditional debt-relief 1/ 2/</b>																								
NPV of total debt	832.4	723.3	710.0	698.4	675.4	675.8	658.1	634.0	605.2	589.9	572.5	555.5	540.3	520.9	501.6	487.1	480.6	473.5	466.7	459.6	452.7		670.5	493.8
NPV of outstanding debt	832.4	703.9	686.4	667.0	632.4	599.7	558.2	515.2	471.1	441.9	413.5	384.6	357.6	330.1	301.9	273.4	253.1	232.4	212.1	191.2	170.2		592.9	270.7
Official bilateral and commercial	311.0	305.5	300.6	295.2	273.8	254.4	226.9	197.8	168.2	153.9	139.5	124.6	112.0	99.4	86.5	73.0	68.0	63.2	59.2	55.1	51.0		238.8	79.2
Multilateral	521.4	398.3	385.8	371.8	358.5	345.3	331.3	317.4	302.9	288.0	274.0	260.0	245.5	230.7	215.4	200.4	185.0	169.2	152.9	136.1	119.1		354.1	191.4
NPV of new borrowing	0.0	19.4	23.6	31.4	43.0	76.2	99.9	118.9	134.1	148.0	159.0	170.9	182.7	190.8	199.7	213.7	227.5	241.1	254.6	268.3	282.5		77.6	223.2
<b>II. After conditional delivery of enhanced HIPC assistance 3/</b>																								
NPV of total debt	721.6	729.0	651.2	658.7	246.7	275.9	295.5	313.2	318.2	321.6	322.3	323.8	323.1	327.4	332.6	342.7	352.6	362.4	372.2	380.1	387.0		441.3	350.4
NPV of outstanding debt	721.6	709.6	627.6	627.3	217.6	214.2	210.7	207.6	194.4	180.8	167.3	153.6	140.4	136.6	132.9	129.0	125.1	121.3	117.6	111.7	104.5		370.8	127.3
Official bilateral and commercial	347.7	352.7	280.7	275.6	68.0	66.2	64.9	63.4	52.7	41.9	31.1	20.3	9.9	9.0	8.2	7.4	6.6	5.9	5.4	5.0	4.5		149.5	8.2
Multilateral	373.9	357.0	347.0	351.6	149.6	148.0	145.8	144.1	141.7	138.8	136.1	133.3	130.5	127.6	124.7	121.6	118.5	115.4	112.2	106.8	99.9		221.2	119.1
NPV of new borrowing 4/	0.0	19.4	23.6	31.4	29.2	61.7	84.8	105.7	123.8	140.8	155.0	170.1	182.7	190.8	199.7	213.7	227.5	241.1	254.6	268.3	282.5		70.5	223.1
<b>III. After unconditional delivery of enhanced HIPC assistance 5/</b>																								
NPV of total debt	230.6	270.0	256.2	246.4	246.7	275.9	295.5	313.2	318.2	321.6	322.3	323.8	323.1	327.4	332.6	342.7	352.6	362.4	372.2	380.1	387.0		281.5	350.4
NPV of outstanding debt	230.6	262.3	245.3	228.3	217.6	214.2	210.7	207.6	194.4	180.8	167.3	153.6	140.4	136.6	132.9	129.0	125.1	121.3	117.6	111.7	104.5		214.4	127.3
Official bilateral and commercial	86.2	90.4	91.1	77.3	68.0	66.2	64.9	63.4	52.7	41.9	31.1	20.3	9.9	9.0	8.2	7.4	6.6	5.9	5.4	5.0	4.5		66.7	8.2
Multilateral	144.4	171.8	154.2	151.0	149.6	148.0	145.8	144.1	141.7	138.8	136.1	133.3	130.5	127.6	124.7	121.6	118.5	115.4	112.2	106.8	99.9		147.8	119.1
NPV of new borrowing 6/	0.0	7.7	10.9	18.1	29.2	61.7	84.8	105.7	123.8	140.8	155.0	170.1	182.7	190.8	199.7	213.7	227.5	241.1	254.6	268.3	282.5		67.1	223.1
<b>IV. After conditional delivery of enhanced HIPC and MDRI assistance 3/ 7/</b>																								
NPV of total debt	721.6	729.0	651.2	658.7	114.4	145.4	167.4	186.9	193.8	199.2	201.9	205.5	206.9	213.5	220.8	233.3	245.5	257.6	269.8	282.2	295.5		360.9	243.0
NPV of outstanding debt	721.6	709.6	627.6	627.3	85.3	83.7	82.6	81.3	70.0	58.4	46.9	35.4	24.2	22.6	21.1	19.5	18.0	16.5	15.2	13.9	12.9		290.4	19.9
Official bilateral and commercial	347.7	352.7	280.7	275.6	68.0	66.2	64.9	63.4	52.7	41.9	31.1	20.3	9.9	9.0	8.2	7.4	6.6	5.9	5.4	5.0	4.5		149.5	8.2
Multilateral	373.9	357.0	347.0	351.6	17.3	17.5	17.7	17.8	17.3	16.5	15.8	15.1	14.4	13.6	12.9	12.1	11.4	10.6	9.8	8.9	8.4		140.8	11.7
NPV of new borrowing 4/	0.0	19.4	23.6	31.4	29.2	61.7	84.8	105.7	123.8	140.8	155.0	170.1	182.7	190.8	199.7	213.7	227.5	241.1	254.6	268.3	282.5		70.5	223.1
<b>Memorandum items:</b>																								
NPV of debt-to-exports ratio (percent) 8/																								
Total debt, assuming conditional delivery 3/	469.3	436.5	361.9	340.4	55.5	65.9	70.6	72.9	69.7	66.1	61.9	58.5	54.7	52.5	50.3	49.2	47.9	46.4	45.1	44.0	43.3		188.2	49.2
Total debt, assuming full delivery 5/	150.0	161.6	142.4	127.3	55.5	65.9	70.6	72.9	69.7	66.1	61.9	58.5	54.7	52.5	50.3	49.2	47.9	46.4	45.1	44.0	43.3		94.9	49.2
Outstanding debt	469.3	424.8	348.8	324.2	41.3	38.0	34.8	31.7	25.2	19.4	14.4	10.1	6.4	5.6	4.8	4.1	3.5	3.0	2.5	2.2	1.9		161.1	4.4
NPV of debt-to-revenue ratio (percent)																								
Total debt	667.0	539.1	388.8	345.2	53.5	61.7	64.4	65.4	61.8	57.9	53.6	49.8	45.8	43.2	40.9	39.6	38.2	36.8	35.3	33.9	32.6		214.4	39.6
Total debt, assuming full delivery	213.2	199.7	153.0	129.1	53.5	61.7	64.4	65.4	61.8	57.9	53.6	49.8	45.8	43.2	40.9	39.6	38.2	36.8	35.3	33.9	32.6		101.2	39.6
Outstanding debt	667.0	524.8	374.7	328.8	39.9	35.5	31.8	28.5	22.3	17.0	12.4	8.6	5.4	4.6	3.9	3.3	2.8	2.4	2.0	1.7	1.4		189.3	3.6

Sources: Central African authorities; and IMF and World Bank staff estimates and projections.

1/ Shows the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment from official bilateral creditors.

2/ The NPV of debt to the World Bank and the AfDB Group is based on the legal situation as of end-December 2005. Therefore, it excludes the impact of the concessional rescheduling of arrears.

3/ Assumes only interim relief under the enhanced Initiative from October 2007 to December 2009 and full delivery of assistance in January 2010.

4/ Includes the effect of conditional IMF HIPC relief applied to the PRGF approved in December 2006.

5/ Assumes full delivery of estimated HIPC initiative debt relief as end-December 2005.

6/ Includes the effect of unconditional delivery of IMF relief applied to the PRGF approved in December 2006.

7/ MDRI assistance applies to the World Bank, the IMF and the AfDB Group, and starts after the completion point (December 2009).

8/ In terms of simple historical three-year average of exports of goods and nonfactor services.

Table 4a. Central African Republic: External Debt Indicators , 2005-25 1/

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Averages		
																						2005-2015	2016-2025	
(In percent, unless otherwise indicated)																								
Before traditional debt relief																								
NPV of debt-to-GDP ratio	64.8	49.9	45.6	41.7	38.2	36.2	33.9	31.6	29.3	27.0	24.9	22.9	21.2	19.6	18.0	16.8	15.6	14.5	13.6	12.6	11.8	38.5	16.7	
NPV of debt-to-exports ratio 2/ 3/	563.1	453.8	412.8	376.7	348.8	332.5	310.9	286.9	262.5	239.3	217.7	199.3	183.0	167.7	153.0	140.7	129.0	118.1	108.9	100.9	94.1	345.9	139.5	
NPV of debt-to-revenue ratio 4/	800.3	560.6	443.4	382.1	336.6	310.9	283.8	257.7	232.7	209.6	188.5	169.8	153.2	138.1	124.5	113.3	103.0	93.7	85.4	77.8	71.0	364.2	113.0	
Debt service ratio	...	26.0	21.0	20.4	18.5	16.3	15.0	15.9	15.2	14.7	13.9	13.1	10.5	9.1	8.2	7.1	6.9	6.4	6.0	5.8	5.5	17.7	7.9	
Debt service-to-revenue ratio 4/	...	34.8	24.2	21.9	19.0	16.4	14.7	15.5	14.6	13.9	13.1	11.9	9.4	8.1	7.2	6.1	5.9	5.5	5.1	4.8	4.4	18.8	6.8	
After traditional debt relief																								
NPV of debt-to-GDP ratio	62.3	47.6	43.6	39.9	35.9	33.4	30.3	27.2	24.3	22.1	20.1	18.2	16.6	14.9	13.5	12.3	11.4	10.5	9.7	9.0	8.3	35.2	12.4	
NPV of debt-to-exports ratio 2/ 3/	541.4	433.0	394.6	361.0	327.4	306.5	277.4	247.2	217.8	195.8	175.4	158.1	142.9	128.1	114.2	102.8	93.7	85.2	78.0	71.7	66.3	316.1	104.1	
NPV of debt-to-revenue ratio 4/	769.5	534.9	423.9	366.1	316.0	286.6	253.2	222.0	193.0	171.5	151.9	134.7	119.6	105.5	92.9	82.7	74.8	67.6	61.1	55.3	50.0	335.3	84.4	
Debt service ratio	...	29.8	24.6	23.7	28.8	25.6	26.8	26.6	24.7	18.3	17.2	16.1	13.2	12.1	10.9	9.5	7.5	7.1	6.7	6.5	6.2	24.6	9.6	
Debt service-to-revenue ratio 4/	...	40.0	28.4	25.5	29.6	25.7	26.3	25.8	23.7	17.4	16.1	14.6	11.8	10.7	9.5	8.3	6.4	6.1	5.6	5.3	5.0	25.9	8.3	
After conditional delivery of enhanced HIPC assistance																								
NPV of debt-to-GDP ratio	54.0	48.0	40.0	37.7	13.1	13.6	13.6	13.5	12.8	12.0	11.3	10.6	9.9	9.4	8.9	8.6	8.3	8.0	7.7	7.4	7.1	24.5	8.6	
NPV of debt-to-exports ratio 2/ 3/	469.3	436.5	361.9	340.4	119.6	125.1	124.6	122.1	114.5	106.7	98.8	92.2	85.4	80.5	75.7	72.3	68.8	65.2	62.2	59.3	56.7	220.0	71.8	
NPV of debt-to-exports ratio (existing debt only)	469.3	424.8	348.8	324.2	105.5	97.1	88.8	80.9	69.9	60.0	51.3	43.7	37.1	33.6	30.3	27.2	24.4	21.8	19.7	17.4	15.3	192.8	27.1	
NPV of debt-to-revenue ratio 4/	667.0	539.1	388.8	345.2	115.5	117.0	113.7	109.7	101.5	93.5	85.5	78.5	71.5	66.3	61.6	58.2	54.9	51.7	48.8	45.7	42.7	243.3	58.0	
Debt service-to-exports ratio	...	18.6	14.6	13.5	9.3	5.6	5.3	5.8	8.8	8.7	8.8	8.3	7.1	4.5	4.0	3.3	3.4	3.4	3.4	3.7	3.8	9.9	4.5	
Debt service-to-revenue ratio 4/	...	24.9	16.9	14.5	9.6	5.6	5.2	5.7	8.4	8.3	8.2	7.5	6.4	4.0	3.5	2.9	2.9	2.9	2.8	3.0	3.0	10.7	3.9	
After unconditional delivery of enhanced HIPC assistance																								
NPV of debt-to-GDP ratio	17.3	17.8	15.7	14.1	13.1	13.6	13.6	13.5	12.8	12.0	11.3	10.6	9.9	9.4	8.9	8.6	8.3	8.0	7.7	7.4	7.1	14.1	8.6	
NPV of debt-to-exports ratio 2/ 3/	150.0	161.6	142.4	127.3	119.6	125.1	124.6	122.1	114.5	106.7	98.8	92.2	85.4	80.5	75.7	72.3	68.8	65.2	62.2	59.3	56.7	126.6	71.8	
NPV of debt-to-exports ratio (existing debt only)	150.0	157.0	136.4	118.0	105.5	97.1	88.8	80.9	69.9	60.0	51.3	43.7	37.1	33.6	30.3	27.2	24.4	21.8	19.7	17.4	15.3	101.4	27.1	
NPV of debt-to-revenue ratio 4/	213.2	199.7	153.0	129.1	115.5	117.0	113.7	109.7	101.5	93.5	85.5	78.5	71.5	66.3	61.6	58.2	54.9	51.7	48.8	45.7	42.7	130.1	58.0	
Debt service-to-exports ratio	...	18.6	14.6	13.5	9.3	5.6	5.3	5.8	8.8	8.7	8.8	8.3	7.1	4.5	4.0	3.3	3.4	3.4	3.4	3.7	3.8	9.9	4.5	
Debt service-to-revenue ratio 4/	...	24.9	16.9	14.5	9.6	5.6	5.2	5.7	8.4	8.3	8.2	7.5	6.4	4.0	3.5	2.9	2.9	2.9	2.8	3.0	3.0	10.7	3.9	
After conditional delivery of enhanced HIPC and MDRI assistance 5/																								
NPV of debt-to-GDP ratio	54.0	48.0	40.0	37.7	6.1	7.2	7.7	8.0	7.8	7.5	7.1	6.7	6.3	6.1	5.9	5.9	5.8	5.7	5.6	5.5	5.4	21.0	5.9	
NPV of debt-to-exports ratio 2/ 3/	469.3	436.5	361.9	340.4	55.5	65.9	70.6	72.9	69.7	66.1	61.9	58.5	54.7	52.5	50.3	49.2	47.9	46.4	45.1	44.0	43.3	188.2	49.2	
NPV of debt-to-exports ratio (existing debt only)	469.3	424.8	348.8	324.2	41.3	38.0	34.8	31.7	25.2	19.4	14.4	10.1	6.4	5.6	4.8	4.1	3.5	3.0	2.5	2.2	1.9	161.1	4.4	
NPV of debt-to-revenue ratio 4/	667.0	539.1	388.8	345.2	53.5	61.7	64.4	65.4	61.8	57.9	53.6	49.8	45.8	43.2	40.9	39.6	38.2	36.8	35.3	33.9	32.6	214.4	39.6	
Debt service-to-exports ratio	...	18.6	14.6	13.5	9.3	2.6	2.3	3.3	6.5	6.6	6.8	6.4	5.4	3.0	2.5	2.0	2.2	2.3	2.4	2.4	2.4	8.4	3.1	
Debt service-to-revenue ratio 4/	...	24.9	16.9	14.5	9.6	2.6	2.3	3.2	6.2	6.3	6.4	5.9	4.9	2.6	2.2	1.7	1.9	2.0	2.0	2.0	1.9	9.3	2.7	

Sources: Central African authorities; and IMF and World Bank staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt at end-December 2005.

2/ Exports are defined as in IMF, *Balance of Payments Manual*, 5th edition, 1993.

3/ Based on a three-year average of exports on the previous year (e.g., export average over 2003-2005 for NPV of debt-to-exports ratio in 2005).

4/ Revenue is defined as central government revenue, excluding grants.

5/ MDRI assistance to the World Bank, the IMF and the African Development Bank, and starts after the completion point (December 2009). Assumes that MDRI has no impact on the C.A.R.'s new borrowing over the projection period.

**Table 4b. Central African Republic: External Debt Indicators and Sensitivity Analysis, 2005-25 1/**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Averages		
																						2005-2015	2016-2025	
(In percent, unless otherwise indicated)																								
Baseline scenario																								
NPV of debt-to-GDP ratio	17.3	17.8	15.7	14.1	13.1	13.6	13.6	13.5	12.8	12.0	11.3	10.6	9.9	9.4	8.9	8.6	8.3	8.0	7.7	7.4	7.1	14.3	8.9	
NPV of debt-to-exports ratio 2/ 3/	150.0	161.6	142.4	127.3	119.6	125.1	124.6	122.1	114.5	106.7	98.8	92.2	85.4	80.5	75.7	72.3	68.8	65.2	62.2	59.3	56.7	129.4	74.3	
NPV of debt-to-revenue ratio 4/	213.2	199.7	153.0	129.1	115.5	117.0	113.7	109.7	101.5	93.5	85.5	78.5	71.5	66.3	61.6	58.2	54.9	51.7	48.8	45.7	42.7	134.6	60.5	
Debt service-to-exports ratio	...	18.6	14.6	13.5	9.3	5.6	5.3	5.8	8.8	8.7	8.8	8.3	7.1	4.5	4.0	3.3	3.4	3.4	3.4	3.7	3.8	10.0	4.9	
Debt service-to-revenue ratio	...	24.9	16.9	14.5	9.6	5.6	5.2	5.7	8.4	8.3	8.2	7.5	6.4	4.0	3.5	2.9	2.9	2.9	2.8	3.0	3.0	11.0	4.3	
Sensitivity analysis																								
Lower export growth 5/																								
NPV of debt-to-GDP ratio	17.3	17.8	15.7	14.1	13.1	13.9	14.2	14.5	14.2	13.9	13.7	13.5	13.4	13.5	13.7	14.1	14.6	15.2	15.7	16.1	16.4	14.9	14.5	
NPV of debt-to-exports ratio 2/ 3/	150.0	161.6	142.4	127.3	119.6	128.0	133.1	139.3	140.6	141.8	143.1	145.8	149.0	155.2	162.9	173.6	185.6	199.1	210.4	218.3	223.0	138.4	178.7	
NPV of debt-to-revenue ratio 4/	213.2	199.6	152.9	129.1	115.4	120.0	120.0	119.5	114.8	110.3	106.0	102.9	99.9	98.9	98.7	100.0	101.6	103.5	104.3	104.6	104.5	139.5	102.3	
Debt service-to-exports ratio	...	18.6	14.6	13.5	9.3	5.9	5.9	6.9	11.0	11.6	12.5	12.4	11.5	8.1	7.8	7.2	8.1	8.9	9.4	10.5	11.2	10.8	9.8	
Debt service-to-revenue ratio 4/	...	24.9	16.9	14.5	9.6	5.7	5.4	6.1	9.2	9.3	9.4	8.9	7.9	5.2	4.8	4.2	4.5	4.7	4.8	5.3	5.5	11.3	5.9	
Less concessional new borrowing scenario 6/																								
NPV of debt-to-GDP ratio	17.3	17.8	15.7	14.1	13.1	15.6	16.8	17.7	17.9	18.1	18.2	18.3	18.1	17.8	17.4	17.3	17.2	17.0	16.8	16.5	16.2	16.4	17.3	
NPV of debt-to-exports ratio 2/ 3/	150.0	161.6	142.4	127.3	119.6	143.1	153.6	161.1	161.0	160.5	159.4	159.4	156.1	152.5	147.8	144.8	141.5	137.9	134.7	131.8	129.3	148.0	145.0	
NPV of debt-to-revenue ratio 4/	213.2	199.6	152.9	129.1	115.4	133.8	140.2	144.7	142.7	140.6	138.1	135.7	130.7	125.6	120.3	116.6	113.0	109.4	105.6	101.6	97.5	151.2	117.6	
Debt service-to-exports ratio	...	18.6	14.6	13.5	9.3	7.0	7.5	8.8	12.4	12.9	13.5	13.6	13.7	11.8	11.9	11.7	12.0	12.3	12.7	13.2	13.5	11.6	12.7	
Debt service-to-revenue ratio 4/	...	24.9	16.9	14.5	9.6	7.0	7.4	8.6	11.9	12.2	12.6	12.4	12.3	10.5	10.4	10.2	10.4	10.5	10.6	10.9	10.9	12.6	11.1	

Sources: Central African authorities; and IMF and World Bank staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after HIPC assistance assumed delivered unconditionally at end-December 2005.

2/ As defined in IMF, *Balance of Payments Manual*, 5th edition, 1993.

3/ Based on a three-year average of exports on the previous year (e.g., export average over 2003-2005 for NPV of debt-to-exports ratio in 2005).

4/ Revenue is defined as central government revenue, excluding grants.

5/ Assumes on average 2 percent export growth in 2010-26.

6/ Assumes that the interest rate on the financing gap is set at commercial terms of Euro discount rate (4.75 percent) plus a CFAF spread (2.25 percent) for a total of 7 percent.

**Table 5. Central African Republic: Discount and Exchange Rate Assumptions at End-December 2005**

Currency Name	Discount Rate 1/ (In percent per annum)	Exchange Rate 2/ (Currency per U.S. dollar)
Canadian Dollar	4.69	1.16
CFA Franc	3.95	556.04
Swiss Franc	2.76	1.31
Chinese Yuan	4.30	8.07
Danish Krone	3.88	6.32
Euro	3.95	0.85
U.K. Pound	5.28	0.58
Japanese Yen	1.91	117.97
Norwegian Kroner	4.17	6.77
Special Drawing Rights	4.30	0.70
Swedish Krona	3.92	7.96
U.S. Dollar	5.08	1.00
Memorandum item:		
Paris Club cutoff date	January 1, 1983	

Sources: OECD; and IMF, *International Financial Statistics*.

1/ The discount rates used are the average commercial interest reference rates over the six-month period prior to end-December 2005, i.e., the end of the period for which actual debt and export data are available.

2/ The exchange rates are expressed as national currency per U.S. dollar at end-December 2005.

Table 6. HIPC Initiative: Status of Country Cases Considered Under the Initiative, December 15, 2006

Country	Decision Point	Completion Point	Target NPV of Debt-to-Gov.		Assistance Levels 1/ (In millions of U.S. dollars, present value)				World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
			Exports (in percent)	revenue	Total	Bilateral and commercial	Multi-lateral	IMF			
Completion point reached under enhanced framework											
Benin	Jul. 00	Mar. 03	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
original framework	Sep. 97	Sep. 98	225		448	157	291	29	54	14	760
enhanced framework	Feb. 00	Jun. 01	150		854	268	585	55	140	30	1,300
Burkina Faso					553	83	469	57	231		930
original framework	Sep. 97	Jul. 00	205		229	32	196	22	91	27	400
enhanced framework	Jul. 00	Apr. 02	150		195	35	161	22	79	30	300
topping-up	...	Apr. 02	150		129	16	112	14	61	24	230
Cameroon	Oct. 00	Apr. 06	150		1,267	879	322	37	176	27	4,917
Ethiopia					1,982	637	1,315	60	832		3,275
enhanced framework	Nov. 01	Apr. 04	150		1,275	482	763	34	463	47	1,941
topping-up		Apr. 04	150		707	155	552	26	369	31	1,334
Ghana	Feb. 02	Jul. 04	144	250	2,186	1,084	1,102	112	781	56	3,500
Guyana					591	223	367	75	68		1,354
original framework	Dec. 97	May 99	107	280	256	91	165	35	27	24	634
enhanced framework	Nov. 00	Dec-03	150	250	335	132	202	40	41	40	719
Honduras	Jul. 00	Mar-05	110	250	556	215	340	30	98	18	1,000
Madagascar	Dec. 00	Oct-04	150		836	474	362	19	252	40	1,900
Malawi					1,057	171	886	45	622		1,628
enhanced framework	Dec. 00	Aug-06	150		646	164	482	30	333	44	1,025
topping-up	...	Aug-06	150		411	7	404	15	289	35	603
Mali					539	169	370	59	185		895
original framework	Sep. 98	Sep. 00	200		121	37	84	14	43	9	220
enhanced framework	Sep. 00	Mar. 03	150		417	132	285	45	143	29	675
Mauritania	Feb. 00	Jun. 02	137	250	622	261	361	47	100	50	1,100
Mozambique					2,023	1,270	753	143	443		4,300
original framework	Apr. 98	Jun. 99	200		1,717	1,076	641	125	381	63	3,700
enhanced framework	Apr. 00	Sep. 01	150		306	194	112	18	62	27	600
Nicaragua	Dec. 00	Jan. 04	150		3,308	2,175	1,134	82	191	73	4,500
Niger					663	235	428	42	240		1,190
enhanced framework	Dec. 00	Apr. 04	150		521	211	309	28	170	53	944
topping-up	...	Apr. 04	150		143	23	119	14	70	25	246
Rwanda					696	65	631	63	383		1,316
enhanced framework	Dec. 00	Apr-05	150		452	56	397	44	228	71	839
topping-up	...	Apr-05	150		243	9	235	20	154	53	477
Senegal	Jun. 00	Apr. 04	133	250	488	212	276	45	124	19	850
Sierra Leone	Mar. 02	Dec. 06	150		675	335	340	125	123	81	994
Tanzania	Apr. 00	Nov. 01	150		2,026	1,006	1,020	120	695	54	3,000
Uganda					1,003	183	820	160	517		1,950
original framework	Apr. 97	Apr. 98	202		347	73	274	69	160	20	650
enhanced framework	Feb. 00	May 00	150		656	110	546	91	357	37	1,300
Zambia	Dec. 00	Apr-05	150		2,499	1,168	1,331	602	493	63	3,900
Decision point reached under enhanced framework											
Burundi	Aug. 05	Floating	150		826	124	701	28	425	92	1,465
Chad	May. 01	Floating	150		170	35	134	18	68	30	260
Congo, Democratic Rep. of	Jul. 03	Floating	150		6,311	3,837	2,474	472	831	80	10,389
Congo Rep. of	Mar. 06	Floating		250	1,679	1,561	118	8	49	32	2,881
Gambia, The	Dec. 00	Floating	150		67	17	49	2	22	27	90
Guinea	Dec. 00	Floating	150		545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150		416	212	204	12	93	85	790
Haiti	Nov. 06	Floating	150		140	20	120	3	53	15	213
São Tomé and Príncipe	Dec. 00	Floating	150		97	29	68	-	24	83	200
Total assistance provided/committed					35,386	17,398	17,889	2,608 3/	8,548		62,106

Sources: IMF and World Bank Boards decisions, completion point documents; decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Equivalent to SDR 1,736 million at an SDR/USD exchange rate of 0.6658, as of December 15, 2006.

**Table 7. Central African Republic: Possible Delivery of World Bank Group's Assistance Under the Enhanced HIPC Initiative, 2007-2041 1/**  
(In millions of U.S. dollars, unless otherwise indicated)

	NPV relief required																							Cumulative	
	2007		Total	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2015-27	2007-41
	Jan.-Sep.	Oct.-Dec. 2/		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2015-27	2007-41
Debt service before HIPC Assistance	11.3	2.3	13.6	14.5	15.3	16.7	18.1	18.3	18.4	18.2	18.2	18.1	17.9	17.8	17.6	17.7	17.5	17.3	17.2	17.0	16.9	16.8	16.3	215.7	416.7
On IDA Credits	11.3	2.3	13.6	14.5	15.3	16.7	18.1	18.3	18.4	18.2	18.2	18.1	17.9	17.8	17.6	17.7	17.5	17.3	17.2	17.0	16.9	16.8	16.3	215.7	416.7
of which principal	9.0	1.7	10.8	11.8	12.6	14.1	15.6	16.0	16.1	16.2	16.2	16.2	16.2	16.2	16.1	16.3	16.3	16.2	16.2	16.2	16.2	16.2	15.8	202.6	379.1
of which interest	2.3	0.5	2.8	2.8	2.7	2.6	2.5	2.3	2.2	2.1	2.0	1.9	1.7	1.6	1.5	1.4	1.2	1.1	1.0	0.9	0.8	0.6	0.5	13.1	37.6
Debt Service after HIPC Assistance	11.3	0.7	12.1	4.9	5.1	5.4	5.9	5.9	6.0	5.9	5.9	5.9	5.8	5.8	5.7	5.7	5.7	5.6	5.6	5.5	5.5	5.5	7.3	89.3	183.9
On IDA Credits	11.3	0.7	12.1	4.9	5.1	5.4	5.9	5.9	6.0	5.9	5.9	5.9	5.8	5.8	5.7	5.7	5.7	5.6	5.6	5.5	5.5	5.5	7.3	89.3	183.9
of which principal	9.0	0.6	9.6	4.1	4.2	4.6	5.1	5.2	5.2	5.2	5.3	5.3	5.3	5.3	5.2	5.3	5.3	5.3	5.2	5.2	5.2	5.2	7.0	84.5	169.0
of which interest	2.3	0.2	2.5	0.9	0.9	0.8	0.8	0.8	0.7	0.7	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.2	4.8	14.8
Savings on debt service to IDA	156	0.0	1.5	9.6	10.2	11.3	12.2	12.4	12.4	12.3	12.3	12.2	12.1	12.0	11.9	11.9	11.8	11.7	11.6	11.5	11.4	11.3	9.1	150.9	232.8
of which principal	0.0	1.2	1.2	7.7	8.4	9.5	10.6	10.8	10.9	10.9	10.9	10.9	10.9	10.9	11.0	11.0	10.9	10.9	10.9	10.9	10.9	10.9	8.8	118.1	210.1
of which interest	0.0	0.4	0.4	1.9	1.8	1.7	1.7	1.6	1.5	1.4	1.3	1.3	1.2	1.1	1.0	0.9	0.8	0.8	0.7	0.6	0.5	0.4	0.3	8.3	22.8
Savings as percent of debt service due to World Bank Group	0	68	11	66 3/	67 3/	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	56 4/	70	56

Source: World Bank staff estimates and projections.

1/ Enhanced HIPC assistance of USD 219 million in end-2005 NPV terms (USD 272 million in nominal terms) to be delivered i) through the clearance of the CAR's arrears to IDA on grant terms (USD 63 million); and ii) over about 20 years through a 68 percent relief on the debt service falling due to IDA on credits outstanding at end-2005 (USD 156 million).

2/ Decision point is expected to be reached in September 2007. Delivery of the interim assistance by the World Bank Group is expected to start on October 1, 2007.

3/ Relief is not provided on IDA Project Preparation Loans, which are payable in 2008 and 2009

4/ Relief is provided in the period of January-October, 2027

**Table 8. Central African Republic: Possible Delivery of IMF Assistance under the Enhanced HIPC Initiative, 2007-2017 1/**  
(In millions of U.S. dollars, unless otherwise indicated)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Oct.-Dec.										
(Based on the US\$/SDR exchange rate as of February 5, 2007)											
Delivery schedule of IMF assistance (in percent of the total assistance)	-	20.0	18.0	6.0	1.5	0.5	10.4	13.1	13.6	13.6	3.3
Debt Service due on IMF obligations 2/	0.2	7.9	5.4	2.9	1.7	3.1	5.7	5.7	5.7	5.7	3.0
Principal	-	7.3	4.8	2.4	1.2	2.6	5.2	5.2	5.2	5.2	2.6
Interest and charges	0.2	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4
IMF assistance--deposits into member's Umbrella Account											
Interim assistance 3/	4.8	4.3	-	-	-	-	-	-	-	-	-
Completion point disbursement 4/	-	-	16.5	-	-	-	-	-	-	-	-
Completion point assistance	-	-	14.8	-	-	-	-	-	-	-	-
Completion point interest	-	-	1.7	-	-	-	-	-	-	-	-
IMF assistance--drawdown schedule from member's Umbrella Account	-	4.8	4.5	1.6	0.4	2.6	3.6	3.7	3.7	3.5	0.9
IMF assistance without interest	-	4.8	4.3	1.4	0.4	0.1	2.5	3.1	3.3	3.3	0.8
Estimated interest earnings 5/	-	0.1	0.2	0.2	0.1	2.5	1.1	0.6	0.4	0.3	0.1
Debt service due on current IMF obligations after IMF assistance	0.2	3.1	0.9	1.3	1.3	0.5	2.1	2.0	2.0	2.2	2.1
Share of debt service due on IMF obligations covered by IMF assistance (in percent)	-	61.2	83.0	55.7	25.6	83.5	63.1	64.6	64.8	62.0	29.1
Proportion (in percent) of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in Umbrella Account	-	65.3	88.6	59.5	29.7	5.0	47.1	59.5	61.9	61.9	29.7
Memorandum items:											
(Based on debt service data and exchange rates as of December 31, 2005)											
Total debt service due (in millions of U.S. dollars)		41.7	40.3	37.6	36.8	37.2	37.3	37.4	35.5	35.0	32.2
Debt service due on IMF obligations (in millions of U.S. dollars)		8.2	5.6	3.0	1.8	3.3	6.0	6.0	5.9	5.9	3.1
Debt service due on current IMF obligations after IMF assistance (in percent of current year exports of goods and nonfactor services)		1.6	0.4	0.6	0.5	0.2	0.7	0.6	0.6	0.6	0.5

Source: IMF staff estimates and projections.

1/ Total IMF assistance under the enhanced HIPC Initiative is US\$ 23.84 million in NPV terms calculated on the basis of data available at the decision point, excluding interest earned in Central African Republic's Umbrella account and on committed but undisbursed amounts as described in footnote 5.

2/ Forthcoming obligations estimated based on schedules in effect as of January 31, 2007, reflecting the first disbursement under the current PRGF arrangement approved in late 2006. Interest obligations include net SDR charges and assessments.

3/ The first delivery of interim assistance of 20 percent of commitment will be deposited into the member's account at the expected decision point in September 2007 to cover principal repayment obligations falling due to the Fund over the next 12 months.

4/ The remaining IMF's grant HIPC assistance assumed to be disbursed into the member's account at the assumed completion point in December 2009, which is reflected in the calculation of interest.

5/ Estimated interest earnings on: (a) amounts held in the member's Umbrella Account; and (b) up to the completion point, amounts committed but not yet disbursed. The projected interest earnings are estimated based on assumed interest rates which are gradually rising to 5 percent in 2011 and beyond; actual interest earnings may be higher or lower.

**Table 9. Central African Republic: Long-Term Macroeconomic Assumptions, 2005-25**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2007-11	2012-25	2007-25	
	(Annual percentage change)																								
National income and prices																									
Real GDP growth	2.2	3.5	4.0	4.3	4.5	4.5	4.4	4.4	4.4	4.3	4.4	4.3	4.3	4.2	4.2	4.0	4.0	4.0	4.0	4.0	4.0	4.3	4.2	4.2	
Implicit GDP deflator	2.4	3.8	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	
Consumer price index	2.9	5.1	3.1	2.3	2.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.2	2.0	2.1	
External Sector																									
Export volume growth	-6.9	6.1	6.2	6.1	7.0	2.2	2.0	0.6	0.7	0.8	1.2	1.2	1.2	1.2	1.3	1.3	1.0	1.1	1.1	1.1	1.1	3.2	1.1	2.0	
Import volume growth	1.4	7.8	8.3	8.5	9.0	2.3	2.3	3.4	3.4	3.4	3.4	3.2	3.3	2.9	3.2	3.2	3.3	3.3	3.3	3.3	3.3	5.1	3.3	4.0	
Terms of trade	2.8	2.3	-1.4	-0.4	-0.3	-0.8	-0.8	1.6	1.2	1.1	0.1	0.1	0.1	0.1	0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.4	0.0	
Central Government																									
Revenue (incl. grants)	12.2	13.6	25.3	0.4	8.6	4.8	8.8	8.9	8.9	8.8	8.7	8.7	8.7	8.7	8.7	8.5	8.5	8.5	8.7	8.7	8.7	9.6	8.7	8.9	
Total expenditures	28.9	-16.7	10.6	8.5	8.9	10.6	9.3	9.6	9.3	9.1	9.1	9.0	9.0	8.1	9.0	8.9	8.8	8.9	8.9	8.3	8.9	9.6	8.9	9.1	
	(In percent of GDP)																								
National Income																									
Consumption	97.9	98.5	96.9	96.9	97.0	96.5	96.0	95.5	95.1	94.7	94.3	94.2	93.9	93.6	93.3	93.0	92.6	92.3	92.3	92.3	92.3	96.1	93.5	94.4	
Government	13.1	9.1	10.3	10.0	9.8	9.9	10.0	10.1	10.2	10.3	10.4	9.1	9.2	9.3	9.4	9.6	9.6	9.6	9.6	9.6	9.6	10.0	9.7	9.7	
Private	84.8	89.4	86.6	87.0	87.2	86.7	86.1	85.5	85.0	84.4	83.9	85.1	84.7	84.3	83.9	83.4	83.1	82.7	82.7	82.7	82.7	86.1	83.9	84.6	
Investment	8.8	7.9	9.7	10.1	10.4	10.5	10.6	10.7	10.8	10.9	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	10.5	11.0	10.8	
Government	4.0	2.3	3.5	3.4	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	3.7	4.1	4.0	
Private	4.9	5.6	6.2	6.6	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.7	6.8	6.8	
External sector																									
Exports of goods and services	12.0	12.2	11.9	11.8	11.7	11.7	11.8	11.9	12.1	12.2	12.4	12.3	12.5	12.6	12.7	12.9	13.1	13.3	13.3	13.3	13.3	11.8	12.6	12.5	
Imports of goods and services	-18.7	-18.6	-18.5	-18.8	-19.1	-18.7	-18.4	-18.2	-18.0	-17.9	-17.7	-17.5	-17.4	-17.2	-17.0	-16.9	-16.8	-16.6	-16.6	-16.6	-16.6	-18.7	-17.4	-17.6	
Current account (incl. grants)	-2.8	-3.3	-2.6	-3.3	-3.9	-3.9	-3.6	-3.4	-3.2	-3.0	-2.8	-2.8	-2.6	-2.3	-2.2	-1.9	-1.7	-1.4	-1.4	-1.4	-1.4	-3.5	-2.5	-2.6	
Central Government																									
Revenue (incl. grants)	12.2	12.9	15.1	14.2	14.4	14.1	14.3	14.6	14.8	15.1	15.3	15.6	15.8	16.1	16.4	16.7	17.0	17.3	17.6	18.0	18.3	14.6	15.9	15.8	
Total expenditures	-16.7	-12.9	-13.4	-13.6	-13.8	-14.3	-14.6	-14.9	-15.2	-15.5	-15.8	-16.1	-16.4	-16.6	-17.0	-17.3	-17.7	-18.1	-18.5	-18.8	-19.2	-14.4	-16.4	-16.1	
Current expenditures	-11.3	-9.8	-8.8	-9.0	-9.0	-9.3	-9.5	-9.7	-9.9	-10.1	-10.3	-10.5	-10.7	-10.8	-11.1	-11.4	-11.7	-12.0	-12.2	-12.3	-12.5	-9.4	-10.7	-10.6	
Capital expenditure	-5.3	-3.1	-4.6	-4.6	-4.8	-4.9	-5.1	-5.2	-5.3	-5.4	-5.5	-5.6	-5.7	-5.8	-5.9	-6.0	-6.0	-6.1	-6.3	-6.5	-6.7	-5.0	-5.7	-5.6	
Overall Balance (excl. grants)	-8.5	-4.0	-3.1	-2.7	-2.5	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.5	-2.5	-2.5	-2.5	-2.6	-2.6	-2.6	-2.6	-2.7	-2.6	-2.6	

Sources: Central African authorities; and IMF staff estimates and projections.